Social Housing in NSW discussion paper

Submission from Bridge Housing

February 2015
Dear Sir or Madam,

Bridge Housing Limited (‘Bridge Housing’) is delighted to submit this submission to assist the NSW Government develop a new vision for a sustainable, contemporary social housing system.

We are a leading Tier One registered community housing provider with a proven capacity and commitment to deliver social housing to the highest standard. Bridge Housing manages 1,649 homes that house around 2,700 people - from the eastern suburbs to the western fringe of Sydney. By 2018 our portfolio will grow to 2,000 dwellings through our development activities developed in part through initially raising $18 million in private finance.

Social housing provides a valuable housing option for the most vulnerable people in society. At Bridge Housing we firmly believe that not only is housing a human right, it is a mark of a fair and just society. Unfortunately across Australia and in Sydney in particular, the opportunity to access quality affordable housing is reducing. This is particularly the case for the most vulnerable including the homeless, young people, single parent families and the elderly.

The NSW social housing system fulfils a very different role in 2015 to when much of the housing was built in the three decades after the Second World War. Just as the properties need renewing, so does our approach to delivering housing services. Greater targeting of social housing to the most vulnerable places greater responsibilities on social housing landlords to develop innovative local partnerships that support the greater social and economic participation of our tenants. It is our experience that only through practical improvements in the economic and social participation of our tenants, along with a range of flexible affordable housing options, can true pathways to independence occur.

In this submission we have presented a number of practical, supportive suggestions. These are built on three decades experience as a community housing provider operating in one of the most challenging housing markets in the world. Most of the solutions are in hand and now is the time for Government to show bold, courageous leadership to make change happen.

We look forward to continuing to work to deliver better outcomes for the people and communities we serve, and to act as a faithful partner to Government in delivering policy goals.

Yours faithfully,

John Nicolades
Chief Executive Officer
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Executive Summary

Community housing providers such as Bridge Housing play a unique role in the housing market, and are expanding their role in Australasia and the rest of the developed world. We bring finance and tax benefits, as well as an entrepreneurial zeal and an ability to work across sectors to help resolve “wicked problems”. We firmly believe that NSW Government’s role is to strategically steer the social housing sector, and decide which services can be most efficiently and effectively delivered by the public, private and not-for-profit sectors.

While there are identified problems with social housing in NSW, many parts of the housing market are also failing our community. We need better integration of housing products and services along the ‘housing continuum’ to support flexible housing solutions that meet the housing needs of individuals at different points of their lives. Government also needs closer links between housing strategies and broader policy goals, such as the ‘NSW 2021’ State Plan and the Sydney Metropolitan Strategy. Public agencies and departments need to cooperate more - including FACS, Treasury, Planning and UrbanGrowth NSW to encourage greater housing diversity - in particular in relation to affordable and social housing.

There is a considerable amount of work that is needed to support the transition from high cost social housing assistance. We have found that the best approaches are flexible and client-centred, and these are best delivered by more agile, locally grounded community housing providers with strong links to support organisations and services. Social housing landlords can build tenant capacity and independence skills enabling residents to participate to landlord policies and by creating opportunities to access the range of services and programs to meet their needs. This is a particular strength of community housing service delivery. It should be harnessed and expanded by government.

Schemes such as Bridge Housing’s Platform 70 demonstrate that it is possible to transition even those people with the most complex needs who are entrenched in homelessness to less costly supportive housing options. Our experience shows that such approaches need intensive input from
the housing provider and the support provider and as such they are relatively costly in the short term. However, local, client-focused service delivery brings about long term benefits and savings to the service system as a whole as well as creating opportunities for individuals to live engaged lives – including moving to education, training and employment. Our experience also tells us that some people will require ongoing social housing assistance due to the complexity of their needs and inability to sustain housing in the private market without support. We need a better understanding of the needs of the social housing tenant base and the incentives and programs that will assist them to meet needs and transition if possible.

To encourage transitions from social housing, there needs to be a range of housing options for people to transition to and we need to be better equipped in matching these to tenant circumstances. It is our view that without a significant increase in social and affordable housing supply, transitions will not be sustainable. NSW needs to follow the lead of other states and develop a new range of intermediate housing products including home ownership and private rental housing assistance to exit social housing and shared housing options.

There are many aspects of the social housing system which are unfair, though many stem from policy settings that guide the social housing system itself, including the Housing Pathways access system. We need to re-balance between the housing needs of single men towards families with children, between tenants and applicants, and between the data access rights of public and community housing landlords. There also needs to be better coordination between housing support and welfare benefits as the current approach provides clear disincentives for people to obtain work or move from social housing.

While all social housing systems have declining finances, NSW Government can adopt a more strategic approach that will ameliorate the situation. Our support for a greater role for community housing providers is backed up by research, and is not just special pleading by the sector. AHURI noted in the title of a paper issued in February 2015 that ‘public stock transfers to community housing [is] the best option for a sustainable and financially supportable housing system’.

Organisations such as Bridge Housing can contribute more than just acting as alternative landlords to Housing NSW. We can help deliver new affordable supply that is desperately needed in the inner and middle ring suburbs to support Sydney as a global business hub. Through use of the planning system, partnering, and harnessing innovative finance, we can deliver the types of homes that are needed to both power the State’s economy, assist people in housing need and proactively assist people who can to transition out of social housing.

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1 The Social Housing System In Context

NSW, along with other jurisdictions, faces serious issues in delivering social housing. Costs are rising as the housing stock ages, and an increasing burden is placed on State Government finances to maintain the status quo. The problem is exacerbated by broader problems in the housing market that make it hard for social housing tenants to transition to the private sector.

1.1 Australia’s problematic housing market

Significant increases in NSW housing costs over the past two decades have affected a growing section of society, including people on moderate incomes who would normally become homeowners. Lower income families are trapped in social housing, unable to access the private rental sector. The social costs of this situation are high on individuals and families, though there are economic impacts too. NSW’s productivity relies heavily on our ability to provide affordable housing for workers in local and global businesses.

The housing continuum

Traditionally Governments have considered social housing in isolation, with a Minister dedicated to this role. However, the housing system is closely inter-connected along a ‘housing continuum’ - ranging from heavily subsidised emergency accommodation, through social and affordable rental properties to private rental and home ownership. In some States, such as Western Australia, Government has devised a housing strategy that covers the full range of housing options that are targeted to need (see box).

Depending on circumstances, different households have different capacities and aspirations, and need varying entry points along the housing continuum. A well-functioning housing market continuum will have enough homes at all points to meet demand, as well as allowing transition between housing options as needed.

Policy failures by State and Commonwealth Governments have led to breaks in the continuum. Many social housing residents are in a poverty trap, unable to transition to employment or private housing without losing significant financial benefits and housing security. Similarly, many middle income households remain in private

The 2010 ‘Opening Doors’ strategy provided an integrated approach to different components of the housing continuum. Community housing is a third cheaper to deliver than public housing. WA Government introduced a range of products such as ‘lend lease’ and ‘shared equity’ that are comparatively modest in cost yet allow people to transition to home ownership. Some products such as ‘perpetual shared equity’ actually deliver a positive return to Government.
rental housing as they cannot afford to buy. As rental prices rise, many modestly paid key workers are pushed to the edges of our cities.

**Policy responses**

In Australia all housing is subsidised. This is either through direct payments - Commonwealth grants for social housing, Commonwealth Rent Assistance (CRA), first home owners grants or indirectly - through the tax system with Capital Gains Tax exemptions, negative gearing or Land Tax exemptions. Most of these indirect subsidies, which are of a far greater magnitude than direct subsidies, favour higher income homeowners and have not delivered additional affordable housing to the broader community.

Although the 2014 Social Housing Discussion Paper identifies some important issues, it frames the questions too narrowly. There is no mention of the role of indirect subsidies for private housing, or the fundamental challenges with the private rental market. A private rental market where according to figures from the Centre for Affordable Housing, there were 150,000 low to moderate income households in Metropolitan Sydney in rental stress in 2011. Instead, the Social Housing Discussion Paper focusses on the social housing system which only constitutes four per cent of housing in NSW.

There have been a number of drivers contributing to decreased housing affordability. Some, such as the taxation system, are not directly controlled by State Government. However, negative gearing and the system of taxing capital gains on land both contribute to reduced housing affordability. Negative gearing has helped crowd-out first time buyers, and favours property investment over consumption. Allowing more people the chance to own their property would take pressure off the private rental market and provide a pathway from social housing to private rentals.

### 1.2 Social housing in crisis

The NSW Auditor General’s 2013 report ‘Making the best use of public housing’ found publicly managed housing stock is ageing and increasingly not fit for purpose. There are insufficient funds for planned maintenance and most significantly there are no capital grants to increase supply. The sale of social housing properties in high land-price areas without supplying well-located new properties exacerbates the housing shortage for those on low incomes including government subsidies, as well as ‘key workers’ that power Sydney as a global city.

The social housing crisis has been driven by the policy of targeting properties to highest needs groups, which has reduced income for social landlords and increased the gap between operational costs and revenue. There has also been an absence of consistent capital injections to revitalise properties and add to social housing supply. We recognise that the Commonwealth has contributed to this decline through the real decline in commonwealth transfer payments to the states since the early 2000’s. This must be reversed.

However, State Government must also increase their efforts. The NSW social housing system stands in stark contrast to other service delivery areas which receive generous operational support. For example, the health system is 86% subsidised and the public transport system receives 52% subsidy. Significantly, neither of these services is expected to cover their capital needs.
Stemming the decline of the social housing system will require a reversal of the current approach of tighter targeting, a capital injection by NSW Government, and a bold strategy of moving to a broader tenant income mix. This does not mean that social housing needs to be delivered through existing monopoly State Housing Authority. The community housing sector can play an important role in this reform process. It provides mixed income housing, attracts CRA, has a track record of attracting private finance, is able to develop more social and affordable housing and can deliver strong locally based innovative programs to support tenants towards greater economic and social participation.

**Demand for social housing**

In June 2014 there were nearly 60,000 people on the NSW social housing waiting list - an increase from the previous year - and the NSW Auditor General estimates the waiting list could increase to 86,000 by 2016. The minimum waiting time for all properties in all areas in which Bridge Housing operates is five years, and in core areas such as the Inner West and Parramatta the minimum waiting time exceeds ten years. In the Sydney Housing NSW District there are 4,183 applicants on the waiting list compared to 11,589 total social housing dwellings.

A growing number of tenants are single people, people with disabilities and the elderly. In coming years this percentage will increase. Bridge Housing estimate around 85% of our tenants will not be able to enter employment due to their age or disability, and are therefore unlikely to be able to find pathways to the private housing market (see Box). This will limit the number of transitions along the housing continuum, and make the first ‘pillar’ goals of the Social Housing Discussion Paper hard to achieve. It will be even harder in the core metro Sydney area where housing affordability is so low.

1.3 **Challenges in Metropolitan Sydney**

Bridge Housing operate in the inner-city and middle ring suburbs of Sydney, an area featuring Australia’s highest housing costs and very low levels of affordable rental and purchase properties. Furthermore, according to the 2015 Demographia International Housing Affordability survey, Sydney ranks as the third least affordable major metropolitan housing market in the developed world (see box).

The shortage of affordable rental housing, with less than 1% vacancy rates across many of the areas we deliver our services, means that even when people can afford the rent, landlords can be very...
selective about the tenants that they house. This makes it difficult for people to transition from social housing as many former tenants face discrimination and lack a private landlord rental history.

There are considerable numbers of households living in ‘housing stress’ - i.e. paying more than 30% of household income on housing costs. According to figures from the Centre for Affordable Housing, in 2011 62% of NSW renters and 38% of NSW home purchasers were in housing stress. These figures rise to 91% and 63% in a core area in which we operate - the City of Sydney. Affordability for renters and purchases continues to deteriorate in metropolitan Sydney, and increased housing supply on the urban fringe is having little impact on the rise of property prices in the core city.

The latest metropolitan strategy ‘A plan for growing Sydney’ (2014) has three top priorities: growing an internationally competitive Sydney CBD, expanding Parramatta and establishing a new priority growth area between Parramatta and Olympic Park. To achieve these goals, additional affordable and well located housing is needed for low to moderate income households. The new housing needs to be in high quality, liveable neighbourhoods in close proximity to where people are employed.

The Social Housing Discussion paper makes little mention of affordable housing, and the Metropolitan Strategy is short on details as to how new mixed communities will be developed. The Commonwealth has ended the National Rental Affordability Scheme (NRAS), the one remaining source of capital contributions to affordable rental housing. In NSW, planning reform has stalled and the future of the State Environmental Planning Policy on affordable housing is uncertain. Without a clear focus on affordable housing, the goals of the Metropolitan Strategy will not be achieved.

**Our recommendation**

That the NSW Government develops a comprehensive housing strategy, encompassing social housing products, below-market housing for key workers, affordable private rental housing and affordable home purchase. This must be developed and coordinated from the centre of Government, bringing together the key agencies of Premiers and Cabinet, Treasury, Planning and Family and Community Services.

The new strategy must be developed in partnership with key stakeholders including community housing providers. Our sector is skilled at social housing delivery, and experienced in partnering with Government, the not-for-profit and private sectors to deliver innovative housing solutions. The NSW Federation of Housing Associations, the community housing industry body, recently released [Growth Strategy](#) provides a robust framework for such an approach.

### Extreme housing markets

The least affordable major metropolitan housing markets in the world measured by the multiple of median household income to median house purchase costs. Compiled by Demographia.

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<th>Rank</th>
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<td>1</td>
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<td>2</td>
<td>Vancouver</td>
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<td>3</td>
<td>Sydney</td>
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2 Pillar 1: Pathways to Independence

The social housing system provides few opportunities for people to financially benefit from the benefits of work and education and there are currently few housing option to assist tenants to transition from social housing. One of the main issues is the lack of affordable alternatives, given the sharp rise in prices in the private sector. Community housing landlords have a number of tried and tested approaches to helping tenants, though social housing providers have limited levers to change the housing system.

2.1 Building tenant capacity

Although community housing’s core business of providing affordable rental accommodation reduces social exclusion, many organisations go further. Following the ‘housing plus’ approach popular in both Britain and the US, many Australian organisations work closely with other not-for-profits and government agencies to help tenants to stabilise their lives and families, to build skills and capacity, and to enter work and education.

Bridge Housing leads and is a partner in a number of initiatives that assist our tenants to achieve greater economic and social participation. We provide practical opportunities that help improve the lives of tenants (see box on next page). We firmly believe that meaningful engagement and participation by our tenants is fundamental to the way we do business. Bridge’s tenants have a wide range of ways in which they can become engaged and participate in the organisation and this in turn helps build their self-esteem and individual capacity. Social isolation can prove a barrier to many tenants becoming more engaged in society, and our evolving programs are aimed at connecting people with their community – to the range of social services their to assist them to meet their goals and needs.

Pathways to employment

A minority of social housing tenants are of working age but are not working, not in full-time education or training and are not actively seeking work. Precise data is unavailable, though it is thought to be a relatively small number of people compared to the total social housing tenant base. Research from Britain, where the problem is both greater and has been studied in more detail, suggests there are a variety of causal factors related to this disengagement from economic participation, they are complex and interrelated and not necessarily related to the social housing or welfare systems alone.

Encouraging independence from social housing support, requires a holistic partnership approach at State level, and cooperation between the State and Commonwealth Governments. We need to directly address workforce disincentives. Our housing allocation and rent setting mechanisms need to coordinate with the welfare system such that people taking paid employment are always better-off after paying housing costs than they would be on government benefits.

For individuals who are able to work, an additional supply of intermediate housing options such as those that support home ownership will allow them to progress towards forms of housing requiring
less public subsidy). The Commonwealth funded Indigenous Business Australia is an evidenced based program used to support Aboriginal home ownership. Such a model could be investigated for social housing tenants.

The greatest problems with barriers to entering the workforce are in areas of concentrated social and economic disadvantage. In some cases jobs are not available, and the increasing casualisation of entry level positions in the labour market is leading to employment insecurity. Several generations in the same household may not be working, and there will be few role models in the neighbourhood. Although areas of disadvantage existing are present in areas of both private and social housing, State Government has the greatest levers in areas where it is the landlord. Reducing social housing concentration in large public housing estates is important to reduce concentrated disadvantage and the neighbourhood effects of disadvantage on future generations.

Bridge Housing’s work on estates in Coogee and Balmain has also convinced us that the transformation of estates can be achieved through a continuum of interventions including large scale regeneration and mixed tenure models through the more effective use of existing properties. Large scale redevelopment is always a longer term goal, however, greater social mix can be achieved through a more flexible portfolio approach that encourages affordable housing tenants and home ownership options for tenants. Communities also need local, responsive service delivery that links tenants to services and initiatives that enable their greater economic and social participation. Community housing providers are well placed to drive this change, to work in strong local partnership with tenants and service providers to create positive outcomes for local people.

There are good examples from the community housing sector of innovative housing organisations being able to assist tenants to transition into both training and employment. Bridge Housing’s ‘Streets ahead’ project will not only help people gain skills and find work, but through a social procurement policy that is embedded in our current procurement tender for maintenance and development services. This strategy aims to ensure that more entry level jobs are available to tenants.

Housing NSW has significant experience and have provided significant funding towards employment and training opportunities for tenants, particularly those on housing estates. Bridge Housing has reviewed these initiatives and the evidence of change. While the majority of levers for change in this area are based with the Commonwealth, there are many examples of strong local partnerships that can assist tenants towards greater economic participation.

Examples of Bridge Housing’s employment priorities include:

- Mentoring programs for younger tenants into education and older tenants seeking to improve their training and employment outcomes. We want to work with evidence based approaches such as the AIM mentoring program for Aboriginal high school students. There is strong evidence that mentoring programs work, and we want to ensure that our tenants know about them and can access the programs in their local community.

- Scholarships to provide extra financial support to tenants entering education and training programs. These programs support tenants that already have the motivation to improve their
circumstances and incentivise participation, and can be used to supplement existing programs and provide additional incentives.

- Policies that support work experience by tenants with Bridge Housing. We want to provide tenants with the initiative and drive, with the opportunity to become work ready and contribute to their local community through their work with us.

- Opportunities to increase employment and training through our maintenance and development contracts and in new developments for traineeships. We believe this is a practical way that social housing providers can use their buying paper to support broader social outcomes.

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Bridge Housing in the community

Bridge Housing celebrates diverse communities and strengthens community connections through the Bridge Housing in Communities initiative. This includes holding at least two events annually to raise awareness about our services, engaging diverse communities, promoting accessibility and celebrating diversity. Bridge Housing has also worked with Aboriginal tenants to create an Aboriginal and Torres Strait Islander Tenants Group.

We support tenant led initiatives that bring people together in neighbourhoods and communities through the Big Ideas Grants & Capacity Building initiative. This includes a grant program to be introduced by June 2015 that supports local connections and tenant-led initiatives, including a capacity building component to enable tenants to apply for this and other grants.

Bridge Housing has a strong history in developing initiatives to support tenants and connect them with their communities. Its Stickybeak Tours program helps tenants at a practical level by connecting them to opportunities and programs in their local area. This includes community gardens, neighbourhood centres, discount stores, volunteer organisations, health services, employment services and libraries.

Bridge Housing also promotes sustainable communities through its Good Neighbour initiative which uses Block Meetings for tenants to engage with each other, creating a spirit of positive collaboration over common area issues and neighbour disputes. All new developments/tenants have a special 'Welcome' Meeting one to two months after being occupied.

Bridge Housing has a strong focus on providing education and employment pathways for tenants with the Streets Ahead initiative which is being developed over the next three years. This comprises a Work Experience and Volunteer program, and a Scholarship program.
The NSW Government has an important role to play to support local partnerships by maintaining the focus on social housing tenants as a key target group for government funded initiatives. The recently announced changes to reduce TAFE fees for social housing tenants is a practical way government can use its policy settings to assist tenants towards greater independence. This approach could be broadened to help families in school with reduced fees, after school programs and other government funded initiatives.

We also need State Government advocacy in relation to Commonwealth funded Employment Service Providers and programs to determine which programs are effective in assisting long term unemployed back into the labour market, and how these may be more effectively deployed with working age social housing tenants. The employment programs developed by the Brotherhood of St Laurence and the linked research by the University of Melbourne provide a guide to good practice.

**Strengthening communities**

Community housing providers help support tenants in stress and improve community outcomes. This is needed as governments have progressively tightened eligibility for social housing such that we are housing more vulnerable tenants with a range of complex needs.

NSW Government has articulated the need for larger community housing providers such as Bridge Housing to direct surpluses towards developing additional social and affordable housing. For example, this is a condition of title transfer of Nation Building properties. Any increase in providers’ supportive tenancy management and community development work, over and above the role of a social housing landlord, reduces surpluses to be directed towards new supply.

Bridge Housing believes the competing demands of community housing providers to increase supply, while at the same time extending and strengthening their supportive housing and community development role, requires further examination. Investment in supporting social housing tenants to build capacity and transition to the private market will have positive net benefits to Government and society in the longer term.

**2.2 Overcoming workforce disincentives**

Research by AHURI in 2014 has shown that while being in safe, secure housing is important for public housing tenants, they can be trapped as a result of policy settings:

- **Unemployment traps** limit tenants from finding work, and are measured by ‘replacement rates’, which is the ratio of net income when unwaged to net income when waged. Individuals with replacement rates in excess of 75% are caught in unemployment traps because transition into work offers little or no financial reward. Earlier research indicated around 22% of men and 56% of women who were unemployed public housing tenants of working age were considered to be in an unemployment trap.
Poverty traps are where there is little or no benefit for those in employment to increase their earnings through additional work and are measured as an ‘effective marginal tax rates’, which is the proportion of private income that a person forfeits due to withdrawal of government benefits and housing assistance, while simultaneously having to pay more tax. People paying rates over 60% are caught in poverty traps. Again, earlier research found 23% of men and 26% of women who were public housing tenants earning an income were considered to be in a poverty trap.

To make the social housing system more sustainable, State and Commonwealth Governments need to work to reduce these ‘traps’ in the benefits and tax system. Levers available to State Government include:

- Changing the definition of assessable income to assess rent on net (after tax) rather than gross (before tax) income.
- Giving tenants a short rent-free period when they start work.
- Mutual obligation packages whereby rent increases due to increased work earnings are deposited in a savings account that the tenant can access if they meet agreed objectives in terms of maintaining work.

We recommend State Government review broader income eligibility settings, and consider financial benefits paid to tenants to encourage transition to employment by reducing the high marginal rates which have led to unemployment traps and poverty traps. Such a move will have a cost to Government, but will bring longer term savings. Changes will only need to apply to the 10%-15% of social housing tenants who are able to transition to work.

2.3 Flexible housing products to assist transitions from social housing

Bridge Housing has a unique perspective on transitions out of homeless to properties head leased from private landlords through our role in the Platform 70 project (see box below). Community housing providers are well placed to work closely with support providers, and build excellent relationships with private sector landlords. This approach may well work to help transitions from social housing into the private rental sector provided we have a range of housing products to assist tenants to overcome the practical workforce disincentives they currently face.
Social housing tenants face considerable barriers to entering the private rental market, principally the unavailability of affordable rental properties and the insecurity of tenure. Unless these issues are addressed there will be fewer household transitioning to the private market housing. Private rental products developed by Housing NSW are predominately focused on applicants. We believe further work is required to determine what changes in policy settings such as rent setting and new products can be used to assist a timely transition from social housing.

Although Housing NSW offer a number of private products designed to divert applicants to the private rental market, there is little research on how many households sustain a private rental tenancy, how many ‘churn’ through products and the costs of these interventions. Bridge Housing consider there needs to be a detailed and independent review of private rental products, to review how often they are used, their cost-benefit ratio, and how they might be adjusted to assist existing tenants to move to independence from assistance.

There needs to be greater flexibility in the current system to support the housing continuum and transition from social housing. At present there are strict conditions on properties designated as social housing or affordable housing in a community housing provider portfolio. The result is that tenants need to physically move properties as their circumstances improve. A flexible portfolio...
approach would mean that the policy settings – such as rent setting and tenant conditions could change as tenants moved from welfare to work without necessarily moving from their home until their income had sufficiently increased or in the case of a community housing provider leasehold portfolio, of transitioning the lease to the tenant with reduced subsidy assistance.

One important way to increase transitions in the housing system is to increase the range and effectiveness of what are sometimes known as ‘intermediate housing products’. These aim to bridge the gap between renting and home purchase and include - affordable rentals, NRAS projects, shared equity and government supported home ownership programs. NSW Governments from both parties have been slow in developing these housing options, unlike some other states where there has been significant investment in new product development.

The Western Australian Government deliberately targets a portion of housing assistance to support intermediate housing markets, giving households a chance to move along the housing continuum, freeing-up social housing for people in high need. This includes initiatives to support home ownership through reduced interest rates, waiving fees and charges and purchasing social housing properties.

Shared ownership and shared equity products allow moderate income householders to buy (say) 70% of a property then increase their ownership over time to 100% as their income increases. Models have been delivered at scale in Britain (where 170,000 households have been helped to home ownership since 1979), the Netherlands, Sweden and Austria. In Western Australia some 11,000 households have become home owners in schemes dating back to the 1980s.

We recommend NSW Government introduces a shared ownership product along the lines suggested in a 2013 research report by Regional Development Australia. This is a better designed model than that in other Australian states as mortgages would be provided by commercial lenders, not a state-owned bank. Proposed delivery would be by larger Tier 1 community housing providers such as Bridge Housing, and we would be able to identify our tenants who meet the criteria. This is a direct way to encourage transitions in the housing system, as well as allowing capital receipts from the sales to be recycled into developing new social and affordable housing. However, a fundamental principle underpinning a home ownership program should be that the proportion of social housing stock must be replaced and expanded. This will involve a capital injection by community housing providers and the NSW Government. If this is not a fundamental principle, the overall level of social housing stock will reduce, further disadvantaging those unable to access the private rental market and undermining the transition of greater numbers of people out of the social housing system.

2.4 Pillar 1 recommendations

1. Community housing providers such as Bridge Housing already offer a number of schemes that help tenants build their capacity, gain access to training and find work. These schemes should be expanded, and require additional resourcing. We need to better understand what programs work for our tenants and focus resources on evidence based initiatives.

2. Efforts at a local level must be supported by greater State Government advocacy for change with the Commonwealth. This work should encourage greater engagement with the employment services network and a focus on social housing tenants as a specific target
group at a Commonwealth and State Government program level. A specific emphasis is needed at a Government level to address the real financial disincentives in the current system that social housing tenants face as they move into paid work. Government needs to take a broad view of the housing and benefits system, and work in partnership with the Commonwealth to develop new policies that minimise perverse disincentives such as the ‘poverty trap’ and ‘employment trap’ for social housing tenants.

3. Not-for-profit housing providers can also start offering a wider range of housing products that provide intermediate steps between social housing rental and owner occupation. This includes shared ownership housing, and home ownership models such as IBA. These products should be available in addition to social housing supply rather than at its expense.

4. The NSW Government should conduct a review of its expenditure on private rental products to ensure that they are effective in creating sustainable housing outcomes, avoid clients churning through products at higher cost to the system and are available to social housing tenants to assist the transition to less costly government subsidised housing.

5. We would encourage the NSW Government to adopt a more flexible approach to portfolio management that meets individual needs. This should include greater flexibility for providers to adapt the usage of properties from social to affordable housing to meet strategic agendas such as estate renewal. At the same time this flexible portfolio approach would support the agenda to transition tenants from more highly subsidised social housing to less costly options such as affordable housing without necessarily moving tenants from their current property - minimising some of the current disincentives in the system.
3 Pillar 2: A Fair Social Housing System

Most people living in social housing have few options - it is the housing choice of last resort due to the challenges they face and their special needs. Tightening up the conditions for social housing eligibility and tenure will have little impact on most tenants, especially when there are so few alternative options in the private sector. More positive inducements are needed, with landlords better communicating a clear set of tenant rights and responsibilities.

3.1 Making subsidies fairer

The Social Housing Discussion Paper makes several points about the extent of benefits available to social housing tenants, and the need for these to be carefully targeted to those most in need. It appears that the underlying assumption is that current tenants are not effectively targeted. Greater transparency and analysis of data is required to prove the point as we do not believe this to be the case with the majority of our tenants whom we have regular contact through the rent review process and annual inspections.

The recent FACS amnesty program identified a modest number of non-compliant tenants, and the sums involved are relatively modest. We believe more regular contact and engagement with public housing tenants is needed, more in line with the working of community housing providers.

Subsidies compared across tenures

The Grattan Institute’s 2013 research paper on ‘Renovating housing policy’ reviewed the total costs of Australian housing policy, taking into account both direct expenditure and indirect revenue forsaken due to tax concession (see box, top chart). Most subsidies - some $35 billion - are to home owners who on average receive a benefit of $6,100 per year. Property investors benefit by around $4,500 per year.

By contrast, according to the Productivity Commission’s 2015 Report on Government Services, the annual recurrent expenditure on social housing was $2.6 billion in 2013-14. These amounts to around $8,000 per household per year (see box, lower chart).
This data challenges some of the assumptions that lay within the Social Housing Discussion Paper. For example, transitioning households from social housing to owner occupation will only make a modest saving as owner occupation is a housing tenure that is relatively subsidised. If Governments seek a substantial budget saving, it would be more logical to make changes to the structuring of home ownership (annual costs $35 billion) rather than social housing (annual costs $2.6 billion).

Social housing is by definition a public good - it is housing that cannot be provided by the market, and will always require subsidy. The greatest subsidies should go to those in greater need, and be tapered over time as that need decreases. It will also need public investment for many of the intractable property condition and location issues to be resolved, and allow for an orderly replacement of housing that has reached the end of its useful life. State and Commonwealth Governments need to review the overall taxation and subsidy profile of the entire housing continuum, and this reinforces our view that NSW needs a ‘housing policy’ not just a ‘social housing policy’.

**Priorities within Housing Pathways**

When social housing providers allocate from the NSW Housing Register (Housing Pathways), consideration of the property always comes first. This makes sense as it ensures the property configuration meets the applicants’ needs, and that we achieve the correct rental income for the property size. However, it also means landlords are not able to review who they want to prioritise in the system or why. Our recommendation is the sector needs to review the way we prioritise people in social housing and articulate priorities for clients across the social housing system.

The Housing Pathway assessment process is heavily weighted towards affordability and whether a person can meet their housing needs in the private rental market. The criteria for assessing this are, however, purely based on income. This leads to single people, particularly single men, with a range of complex needs being prioritised over single parent families or couples with complex needs purely on the basis of lower incomes and affordability.

Bridge Housing considers the current priorities need to be reviewed, and we need to clearly articulate support for families with children. The evidence shows young people who have experienced housing insecurity and homelessness are far more likely to become homeless, disengaged from school and have poorer health and employment outcomes. Revisions to the Housing Pathways approach can help break the cycle of inter-generational disadvantage.

Further refinement is also needed to the prioritisation system and the other criteria for priority including ongoing medical/disability, locational need and defining ongoing complex needs to ensure we are prioritising the most vulnerable for assistance. Once households are prioritised this assistance should be provided either through social housing or other products to assist their need.

At the same time we recognise the needs of new applicants, there is also a need for a radical re-think of the current prioritisation for tenants already in the social housing system. At present,
transfer applicants are ranked lower on the register than new priority applicants even when their circumstances are mirrored in terms of at risk factors. This is neither efficient nor fair.

Time and resources could also be saved by supporting a viable mutual exchange system across social housing providers in NSW. This would encourage tenants to be proactive about their own housing needs, it would support better cross provider working and ensure tenants are housed in a way that supports self-reliance and independence. A viable mutual exchange system would also assist by reducing the administrative burden on the Housing Pathways system.

Finally, to have a fairer system we require a more robust system to identify applicants with the potential to improve their circumstances and those that do not. This would enable social landlords to focus our efforts and housing products towards encouraging movement out of social housing to private rental, affordable housing and home ownership. We need better assessment processes at the outset and during the tenancy to identify supports and incentives to encourage tenants to overcome disadvantage and move to independence.

3.2 Incentives and obligations

The Social Housing Discussion Paper confirms there has been a tightening of the terms and conditions of public housing in NSW. These changes include:

- Fixed term tenancies for new applicants.
- Scrutiny of tenant income and household configuration to ensure the correct rent is paid.
- The Vacant Bedroom Charge, which seeks to reduce under-occupancy.
- Changes to succession policies, ending social housing as an inter-generational family right.

While the above changes have certain logic, there is little evidence to suggest that they have made any significant impact. For example, introducing fixed term tenancies for new public housing contracts has been relatively unsuccessful as we understand no public housing tenants have been evicted at the end of their lease as the vast majority remain eligible for social housing. In Britain the ‘bedroom tax’ as the Vacant Bedroom Charge is commonly known has put considerable pressure on tenants, and led to an increase in rent arrears. Many landlords have decided to waive their right to collect the charge as a result.

In a social housing system where the majority of residents will not be able to leave due to their age, health and disability status, we do not consider value is added in tightening tenancy conditions. There is a shortage of smaller properties for people to move into in order that under-occupancy can be addressed. Furthermore, the private housing market is not working efficiently and therefore the likelihood of exiting social housing remains modest. Further, the costs associated with lease review may outweigh any of the benefits of a very small minority of tenants that exit and who may have done this without the signal of time limited lease review.

Bridge Housing considers the best way to establish the relationship between landlord and tenant is to provide support for appropriate behaviour, and remain closely in touch with our tenants so we can detect and resolve issues at an early stage. This is much more easily achieved by community
housing providers as we have a lower cost base, higher staff to tenant ratios, are locally based, better linked to support providers and our employees are trained and encouraged to be proactive, flexible and innovative in their issues resolution.

Tenants can be encouraged to ‘do the right thing’ by landlords by establishing a customer service compact that clearly outlines the rights and duties of tenants, and by offering tenants opportunities to access education and training in financial literacy and life skills. Building tenant capacity is a core value of the community housing sector, and ties closely with helping transitions to training, employment and private sector housing.

There are some examples of anti-social behaviour and tenants taking advantage of the system. However, we consider these to be relatively isolated occurrences and are often concentrated in a limited number of known housing estates where more coordinated built-form intervention will be needed. A clearer set of tenant rights and responsibilities can be brought about through greater care taken by landlords to know their tenants’ issues, and smooth access to support partners. The further use of approaches such as the ‘three strikes’ policy will have little impact other than to increase demand on homelessness services, and increase net delivery cost to Government.

3.3 Creating consistency across the social housing system

The NSW community sector was established by the public housing agency, and the approach to the sector has often been a considerable power imbalance. Despite the sector now managing around 20% of NSW social housing, this hierarchical approach remains. In contrast, social housing reform in Britain has led to a variety of landlord types (councils, housing associations, tenant cooperatives, arm’s length management organisations) but with each type of housing provider funded and regulated on a consistent basis.

Although in NSW there is a single Housing Register and common eligibility requirements across both public and community housing, there are a number of inconsistent administrative approaches:

- There is more detailed data sharing between Centrelink and Housing NSW than there is with community housing providers, for example over household income. Providers cannot direct debit rent payments from Centrelink income when tenants face payment problems.
- Only FACS/Housing NSW staff can view and update tenant histories on the Housing Pathways system, including income and arrears data.
- Former tenant debts are only recorded for public housing not community housing tenants.

If community housing providers were able to use the above approaches it would improve operating efficiencies, reduce tenant fraud and make the system fairer. The social housing system needs to be fair and consistent for all NSW tenants, and in time landlords need to be regulated in a consistent way across the public and community housing sectors.
3.4 Pillar 2 recommendations

1. There are a number of minor administrative changes that can be made to the NSW social housing system that will assist in creating a fairer system, these include:
   
   - Review the current prioritisation system under Housing Pathways to rebalance the current prioritisation of single men to families with children, from new applicants to those requiring transfer, and better assessment of the complexity and duration of housing needs.
   
   - A workable mutual exchange program across social housing providers that can enable tenants to proactively meet their housing needs in a social housing system.
   
   - Recognising former tenant debt across social housing providers, and
   
   - Reducing the administrative burdens for community housing providers and their tenants through greater information sharing with Centrelink.

2. Take the learnings of current community housing providers to develop a customer service compact that clearly outlines tenant and social housing landlord rights and responsibilities and is shared across the social housing sector. This compact would promote the mutual obligation approach underpinning social housing service delivery.
4 Pillar 3: Making Social Housing Sustainable

Most developed countries, and all Australian jurisdictions, are facing problems with social housing delivery in terms of increasing costs and failure to achieve broader policy goals. NSW is not unique, and we can benefit by learning from best practice elsewhere. System reform will involve costs, it will not be popular with all stakeholders, and bold decisions are needed by State Government.

4.1 Growing community housing

In 2009 Commonwealth and State Housing Ministers agreed to develop a large scale not-for-profit sector comprising up to 35% of social housing by 2014. Currently community housing providers have around a 20% share of total social housing nationally, and in NSW. The key policy drivers have been boosting income through CRA, then leveraging private finance against the sector’s cashflows and assets to maximise the supply of new affordable housing per dollar of government subsidy. The 2009 rationale for expanding community housing remains true. Virtually all developed countries have expanded the sector over the last two decades, even though they have different policy settings. For example Britain’s community housing sector represents 50% of total social housing, and the Netherlands’ 100%. During 2015 up to 20% of New Zealand social housing will transfer to not-for-profits, and there are major transfer programs around Australia in Tasmania, Queensland and South Australia. All such transfers have been prompted by concerns over system sustainability.

Steering the sector

Currently social and affordable housing roles and responsibilities within NSW Government are blurred. Community housing funding and regulation remain in part a responsibility of the public housing agency, and furthermore Housing NSW has been subsumed within the larger Department of Families and Community Services. As a result of blurred institutional responsibilities, and lack of solid data collection, is not possible to determine with any precision whether public or community housing is more efficient at delivering social housing.

In New Zealand housing transformation is being achieved by transferring management of social housing allocations and the waiting list from the public housing agency (Housing New Zealand Corporation) to the Ministry of Social Development, and the community housing transfer process to Treasury. Similarly, in December 2014 South Australian community housing was passed from the public housing agency (South Australian Housing Trust) to a redevelopment agency (Renewal SA).

Bridge Housing recommends as part of a broad based policy response to housing affordability in NSW the separation of policy, regulation and funding responsibilities from housing delivery. This could be achieved by establishing a new agency that also incorporates the land development and strategic urban redevelopment functions of Urban Growth NSW, with enhanced responsibilities to deliver affordable housing for rental and purchase. Efficiency and effectiveness Key Performance Indicators need to be improved such that, over time, funds will be allocated to the most effective social housing providers whether in the public or community housing sector. This will help create a ‘level playing field’ with a more logical and integrated approach to social housing.
We do not believe there is a single ‘silver bullet’ solution to improving sustainability, rather a number of different pathways to follow. This is because both housing need and existing social housing properties vary considerably. However, as noted in the February 2015 bulletin from AHURI, transfers are the ‘best option’ to promote sustainability.

Community housing should become a larger part of the system, but not the only type of social housing provider. NSW Government will continue to have a strong role in steering the social housing system. However, their role should be one of setting objectives, managing subsidies, and helping coordination, with a reduced focus on service delivery.

**Tenancy management outsourcing**

Contemporary outsourcing approaches can be seen in transactions in Tasmania (four packages of between 500 and 1,100 homes), Queensland (Logan transfer, 4,600 homes) and South Australia (two packages of 500 homes). Bridge Housing recommends a similar approach in NSW:

- Government retain asset ownership, except where sites are to be redeveloped, but tenancy management is outsourced to Tier One NSW community housing providers
- Focus on larger estates, of which there are over 100 in NSW.
- Transfer package size of between 500 and 1,000 properties.
- Recipient community housing provider has to fulfil a variety of obligations based on what is most needed in the area. Options could include meeting the maintenance backlog, improving tenant engagement, deliver additional affordable housing and providing enhanced access to community facilities.
- Estate transformation would be made possible through community housing providers raising bank debt helped by CRA receipts improving cash flows.
New roles for NSW community housing providers

Housing NSW committed to undertake a piece of work to better cost and understand the delivery of Housing Pathways across the social housing system. A thorough understanding of the costs associated with delivering access services also goes to the heart of understanding where community housing providers should best allocate resources in the system.

We believe there needs to be an examination of the delivery of private rental products by community housing providers under Housing Pathways. At present only Housing NSW can approve and deliver private rental products. This means clients seeking assessment through a community housing provider still need to have the private rental products approved by Housing NSW.

The policy framework is still unclear as to the extent of work a community housing provider should undertake in the assessment process. Some public housing offices reassess the assessment already completed by the providers, some ask that community housing provider does none of the assessment. A clarification of the private rental delivery policy is required but this should be to increase the scope of provider assessment and delivery as opposed to limiting this. Community housing providers assess social housing applicants, so have the skills with private market products.

Bridge Housing also consider Tier One community housing providers could also play a larger role in head leasing properties from private landlords. Currently both community housing providers and FACS/Housing NSW head lease, and it would be more efficient if all of this activity was undertaken by our sector. Community housing providers have significant expertise in the head leasing and management of properties from the private market. For example, Bridge Housing has the largest private leasing program in Australia and this comes with significant knowledge and expertise.

4.2 Promoting additional investment in the sector

Community housing providers can improve operating system sustainability because of access to CRA, income mix of affordable and social housing tenants, and their charitable status. However, they still face the same problem as State Housing Authorities in their lack of capital to replace older social housing dwellings with new buildings. The problem has been exacerbated by the recent ending of new supply funding under the National Rental Affordability Scheme. This was the only supply-side capital program for affordable housing, and one in which community housing providers played an important role in developing long term affordable rental housing.

A recent paper by Sphere Consulting for Shelter NSW showed the size of a social and affordable housing capital program to deliver growth from 1,000 to 10,000 dwellings per annum.

The Sphere modelling assumes properties are transferred to the community housing sector with title, and there is a mix of social and affordable housing tenancies. Community housing providers would then leverage debt, with Government meeting the annual capital subsidy. For a program to deliver 4,000 dwellings each year, $330 million annual capital would be needed in addition to $550
million debt raised by community housing providers. The Government capital needed would rise to $680 million per annum to deliver 6,000 dwellings per annum - equivalent to the social housing supply under the Nation Building Social Housing Initiative.

**Finance options**

The financial modelling detailed above highlights the need for considerable capital investment by Government in addition to debt raised by community housing providers. In order to moderate the level of capital grants, new and alternative funding mechanisms could be pursued. Many of the funding options take advantage of market mechanisms, and involve the private sector:

- **Housing supply bonds** - based on a partial guarantee of risk on a slice of a marketable bond instrument targeting affordable housing supply. This is based on the model developed by AHURI, and used in countries such as Austria. Housing bonds have also been issued in Britain since the 1980s by the not-for-profit Housing Finance Corporation, and direct to the market by large housing associations. Auckland City Council plans to launch a similar bond in 2015.

- **Superannuation funds.** Funds have considerable amounts to invest, though potentially need a legislative push or tax incentive to channel long term funding towards affordable housing. NSW Government could lobby the Commonwealth for policy changes.

- **Revolving finance.** This would involve providing finance to community housing organisations at below-market interest rates on the condition that these funds are used to generate new affordable rental housing. This approach has been used by ACT Treasury who provide a $70 million loan to a community housing provider they established to build affordable housing.

We recommend NSW Government review these financing options which are based on tried and tested approaches in Australia and overseas. Raising external private funding reduces the burden that otherwise falls on taxpayers.

Much of the background work on finance raising has already been undertaken. KPMG prepared a report for the Victorian government in 2012 which outlined nine possible funding models for governments to consider to more efficiently manage the existing social housing portfolio. Their main conclusion was that community housing providers were the most effective way to harness new forms of finance, though they did not identify how to meet the funding shortfall needed to replace existing social housing assets at the end of their economic life.

**4.3 Making better use of existing assets**

Most existing community housing properties were built several decades ago, and are often not in the best location or with the most appropriate bedroom configuration. Rebuilding may be more cost effective in the medium term than expensive restorations to ageing, inappropriate stock. Housing may need to be reconfigured to meet demand for smaller properties, allowing households to vacate current larger properties and thereby reduce problems with under occupancy.

NSW Government should put in place mechanisms for title transfer that are already managed by Tier 1 community housing providers such as Bridge Housing, as an initial program of transferring 100% of properties to Community housing providers through a strategic and planned process over the next
decade. Transfer would be on the basis that the provider would submit a business plan compatible with Government goals, and the recipient organisation would need to report that commitments have been met.

Greater asset transfer would allow community housing providers to become more strategic asset managers. This would only be possible if NSW Government allows flexibility on which properties house particular client groups. The community housing provider would still need to meet a broader set of objectives, for example the mix of social and affordable rental homes provided.

**Development approaches**

Community housing providers such as Bridge Housing are building considerable in-house development skills, and are experienced at cross-sector collaboration. We see a greater role for providers in managing modest scale development and redevelopment projects that would help renew the social housing stock and reduce the longer term maintenance liabilities. Approaches include:

- **A greater use of tenders for inner and middle ring affordable rental housing projects**, such as the one managed by the Metropolitan Development Authority for North Eveleigh from 2012 to 2014. This allowed a community housing provider to partner with private sector professionals. Unlike with using a private developer, the developer’s margin was retained by the housing provider and surpluses recycled into other projects.

- **Furthering the use of inclusionary zoning planning initiatives.** These have been used on selected larger development projects at Pyrmont/Ultilmo and Green Square. The work to date has been piecemeal - there is a need to have a comprehensive approach over the metropolitan region which provide certainty. City West Housing has demonstrated how a community housing provider can take the lead.

- **Surplus public land could be delivered to a community housing provider to produce affordable rental housing.** Land owned may currently be used for other purposes - such as along rail corridors, or could be social housing sites that would benefit from a greater densification and a
move to mixed income, mixed tenure communities. This requires the NSW Government to acknowledge that the investment in affordable housing owned by community housing providers is recognised as part of the investment return to Government.

- The finances of development schemes can be enhanced by including a number of property sales to private buyers. Funds received are used to defray development costs. Bridge Housing is currently doing this in its affordable housing development at Urban Growth’s Bunya Estate in Blacktown. 33 of the 65 units will be sold back into the market and then leased for 10 years as affordable housing.

Property developments of the type detailed above have been used extensively across Australia. Community housing providers have taken an active role, including organisations operating in similar market conditions to Bridge Housing such as CHC Affordable Housing in Canberra and BHC in Brisbane. Approaches have become well understood, and Government can go to market using competitive tendering to achieve best value.

**Built form innovations**

In the central city locations where we operate, there is considerable opportunity to use different approaches to building. In particular there are benefits through delivering smaller properties that both meet demand and minimise delivery costs when land values are high.

State planning regulations promote the development of ‘new generation’ boarding houses. These provide ensuite facilities, a kitchenette and a larger floor plate than traditional bedsits. This type of accommodation is modest in cost, yet delivers much needed small and affordable rental homes for lower income inner city residents. Building new smaller properties in a neighbourhood allows households who currently under-occupy their property, or require a modified property due to mobility issues, to move to more suitable accommodation without breaking their local ties.

Although some new generation boarding houses have been built, Councils have more opportunity to reject projects after the current State Government changed the regulations. We recommend that there is a greater promotion of this type of housing product. Bridge Housing is purchasing land to build a nine unit new generation boarding house in Ashfield to be delivered by the end of 2015. Another example is the 2014 tender for NSW community housing providers to bid for $7 million funding to build new boarding houses in western Sydney, the Hunter and Central Coast.

Public housing agencies have suffered over decades from restricted Commonwealth finance, and struggled to develop new housing stock or keep pace with necessary property maintenance. By contrast, community housing organisations with title to some of their properties can grow their portfolio. This can be achieved by offering a range of rent settings, including some ‘affordable housing rents’, as well as capturing CRA.

Many larger community housing providers including Bridge Housing have used cash flow surpluses generated per property to raise private finance, increasing the pot of money available to invest in social and affordable housing without higher levels of government debt. In larger Australian cities such as Sydney, community housing organisations have become key partners in urban regeneration and transforming troubled public housing estates.
4.4 Pillar 3 recommendations

1. Immediately initiate a program of property transfers to community housing ownership in order to gain the financial and policy benefits of community housing provider management. This includes the ability for community housing providers to raise ‘off Government balance sheet’ debt that accelerates clearing the maintenance backlog and allowing for selected stock renewal.

2. Introduce new financial initiatives and capital funding to support the development of new social housing and affordable housing supply and support the transition of clients from social housing. Schemes such as NRAS and bond issues have the benefit of leveraging a modest input from Government into a significant output in terms of the housing market.

3. Immediately transfer the public housing head lease program to community housing provider management, to maximise the benefits of CRA and leverage the significant expertise of the sectors’ relationships with the private real estate industry that will assist to reduce program delivery costs to government.