The Hon. Wendy Lovell, MP  
Minister for Housing

Minister

I am pleased to provide this detailed submission in response to the recently issued paper on *Pathways to a fair and sustainable social housing system*, and the accompanying report by KPMG on improving affordable housing supply. We broadly agree with the identification of the Victorian public housing system as failing, and support the main recommendations made by KPMG.

The last decade has seen an unprecedented growth in the scale and professionalisation of not-for-profit housing organisations such as Haven. Although there has been great progress by the Victorian sector, growth has been constrained through inappropriate policy, funding and regulatory settings. This has placed our state at a disadvantage when bidding for national funding, and in forming the type of innovative cross-sector partnerships identified by KPMG as the key to affordable housing supply.

We need to follow examples from other states, and from overseas, in transferring public housing stock to community housing, building capacity and fully leveraging private finance. Community housing organisations need to operate with more independence from the state, less constrained by red tape.

Haven is one of the most sophisticated and innovative not-for-profit housing providers in Australia. We understand the needs of the communities in which we operate, combining a strong social mission with the necessary business acumen. We have become at-scale developers of affordable housing in Victoria, with a proven ability to increase the supply of affordable housing and help transition tenants into sustainable long term private sector accommodation.

Through partnering with the private sector, other not-for-profit organisations and public agencies, organisations like ours can maximise the number of houses delivered per dollar of Victorian taxpayer subsidy. Unlike the traditional public housing model, where resources are increasingly constrained, the community housing model is economically and socially sustainable.

We hope this submission gives clear guidance to Government on how the community housing sector can play an expanded role in delivering high quality affordable housing, supporting high needs Victorians, and building sustainable and vibrant communities.

Yours sincerely

Ken Marchingo  
Chief Executive Officer
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REFERENCES
1 THE COMMUNITY HOUSING VISION

Not-for-profit community housing organisations provide affordable rental housing for low to moderate income tenants, and people with higher needs. They form an integral part of the housing system by delivering housing options that are reasonably priced, secure and responsive to the needs of individual tenants and local communities.

1.1 MODERN, EFFICIENT HOUSING ORGANISATIONS

Contemporary community housing groups are run by professional managers, and supervised by highly skilled boards. Most directors are business people, lawyers, accountants and human service delivery experts. Organisations like Haven are accountable to the community, to governments and to their customers for the effectiveness of the service provided and their use of public funds.

Unlike the larger and centrally controlled public housing agencies such as the Department of Human Services (DHS), community housing providers can be more locally responsive. They work closely with local service agencies and not-for-profit partners, building social cohesion in what were once challenging neighbourhoods.

During the last decade the role of Australian community housing providers has been transformed, following similar patterns seen in North America and Europe. Organisations have retained their local accountability and community focus, while becoming increasingly professional and innovative:

- Many larger community housing providers have raised private finance, increasing the pot of money available to invest in affordable housing without increasing government debt.
- In larger cities, community housing organisations have become key partners in urban regeneration, and the transformation of troubled public housing estates. Many organisations are skilled at working closely with partners from the public and private sectors, and with traditional not-for-profit welfare agencies.
- Several not-for-profit organisations have helped cross-subsidise new housing production through undertaking market-rate residential property development schemes. This helps fund new affordable housing supply, and create mixed-income mixed-tenure neighbourhoods.
- Regular independent surveys of social housing tenants show that community housing providers are rated as being better landlords. In 2009-2010, the level of satisfaction with services provided was 83% for community housing, compared to 72% for public housing (AIHW, 2011). Therefore community housing is popular with both social housing tenants, as well as being better for the housing system.
A leading benefit of community housing, as opposed to public housing, is its capacity to leverage other sources of finance to generate its own growth over time. Well managed CHPs (community housing providers) with a strong balance sheet and operating at scale, have a capacity to attract further private investment which can ultimately be used to increase their housing stock.

KPMG (2012) p.22

1.2 BUILDING STRONG COMMUNITIES

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 find work, build skills and stabilise their family situation.

British research positions housing associations as ‘community anchors’ in the neighbourhoods in which they operate. Though housing providers cannot provide all the answers, they are often best placed to bring together the services of a number of different agencies (Wadhams, 2006). For the community housing provider, it often also makes business sense by protecting assets, cutting rent arrears, lowering the tenant turnover rate and reducing anti-social behaviour.

Community housing organisations establish social enterprises, involve tenants in the running of their operation and innovate with new forms of service delivery and neighbourhood support. Not-for-profit organisations integrate housing with human service support more effectively than if delivered direct by the public sector. Service delivery can also be tailored to specific local conditions.
Community Support
Haven’s Mental Health Program is a partnership providing strong support to elderly and disabled tenants in the Loddon Mallee region. The Program helps access to range of services including Amicus, Cobaw, SportzRules Bendigo, the ABI Recreation Program and Bendigo Health Dental Health.

In addition to case management and advocating on behalf of residents, Haven provides financial assistance for lawn bowling membership fees, transport to and from football training and matches, holidays, pharmacy accounts, and entry to recreational venues.

Victorian Auditor General, 2012

1.3 A SUSTAINABLE GROWTH MODEL
Public housing agencies have suffered over decades from restricted Commonwealth finance, and particularly in Victoria a lack of clear strategic direction for the social housing system as a whole. KPMG (2012) rightly identify Victorian public housing as financially unsustainable, facing a major maintenance backlog, running long waiting lists for people in housing need and passively managing housing assets unsuited to current demand.

By contrast, community housing organisations that have title to their properties can grow their portfolio and self-fund property repairs. This can be achieved by offering a range of rent settings, including some ‘affordable housing rents’ which in the case of National Rental Affordability Scheme (NRAS) are up to 80% of local market rents.

Community housing organisations can also capture Commonwealth Rent Assistance (CRA) for their properties. Cashflow surpluses generated per property can be used to raise bank finance, secured against the property asset. Loans then fund new affordable property construction. In Britain and the Netherlands, and across Australia, this leveraging approach to increasing the supply of affordable housing has become accepted government housing policy.

The Auditor General’s 2010 report observed Victorian community housing providers did not meet the June 2010 15% leveraging against assets target for developing new affordable housing following earlier stock transfers. However, the report noted ‘the strategies for increasing the supply of affordable housing owned by housing associations have been successful to date, but the original four-year time frame is now projected to take six years’ (ibid, p.7). This was largely due to activity being diverted by the then Victorian Government to Nation Building projects.

The leveraging ability of Victorian community housing groups was strongly supported by KPMG in their 2012 report. It was noted that the previous Government’s target to increase the number of transferred properties by 15% was flawed, being based on a ratio against asset values. In Australia, as overseas, banks lend to not-for-profit housing organisations based on the strength of cashflows using ‘interest cover’ not ‘asset cover’ ratios. Furthermore, Australian banks have adopted a more conservative approach to lending than anticipated by the former Government as ‘community housing is not widely understood by banks as it is not a mature market’ (KPMG, 2012, p.23).
1.4 HOW DOES VICTORIA COMPARE?
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 20% of total Victorian social housing (Victorian Government, 2012).

Governments have boosted the growth of larger, higher capacity community housing providers as these are the organisations best able to become affordable housing developers, form partnerships and raise private finance. In Australia, Victoria took the lead with the Social Housing Innovations fund from 2000, the establishment of the Housing Registrar in 2005 and largest Australian stock transfer to date in 2008 (Gilmour, 2009).

As a result of this pioneering work, by 2009 AHURI noted Victoria had seen the vast majority of growth in newly developed community housing stock, with 7 of the top 11 community housing developers Victorian based (Milligan et al., 2009). However, as shown from 2011 research, Victorian community housing providers have fallen behind the faster growth seen elsewhere, particularly in NSW. By mid 2011, only 4 of the largest 15 community housing groups were Victorian.

The slower growth in Victoria of community housing since 2009 is due to a number of sub-optimal policy decisions by the previous Government:

- The stock transfer process halted, unlike in a number of other states including NSW and Western Australia where it accelerated. This decision retained more social housing in the Victorian public sector, where it is managed at higher per unit cost, with assets not available to leverage private finance.
- Victorian Government seed funding for major estate renewal projects has largely dried up. By contrast, states such as NSW continue to use established community housing organisations to partner with the private sector, with large projects in progress at Bonnyrigg NSW and Airds Bradbury in outer Sydney.
- The Victorian approach to regulating community housing is restrictive, with too much red tape and compliance burden. Based on a mature British regulatory approach designed for far larger housing associations, the Victorian system stifles innovation. Furthermore, the Victorian Auditor General (2010) criticised the Housing Registrar as being too closely embedded within the public sector.

The removal of the regulatory function from Director of Housing to Treasury is welcomed as the most basic, long called for reform.

### Community Housing Providers, 2011

<table>
<thead>
<tr>
<th>Rank</th>
<th>Provider</th>
<th>State</th>
<th>Stock (Units)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>St George Community Housing</td>
<td>NSW</td>
<td>4,000</td>
</tr>
<tr>
<td>2</td>
<td>Compass Housing</td>
<td>NSW</td>
<td>3,100</td>
</tr>
<tr>
<td>3</td>
<td>Community Housing Limited</td>
<td>Vic.</td>
<td>3,050</td>
</tr>
<tr>
<td>4</td>
<td>Common Equity Housing</td>
<td>Vic.</td>
<td>2,200</td>
</tr>
<tr>
<td>5</td>
<td>Affordable Community Housing</td>
<td>NSW</td>
<td>2,100</td>
</tr>
<tr>
<td>6</td>
<td>Argyle Community Housing</td>
<td>NSW</td>
<td>2,000</td>
</tr>
<tr>
<td>7</td>
<td>Wentworth Community Housing</td>
<td>NSW</td>
<td>1,900</td>
</tr>
<tr>
<td>8</td>
<td>Yarra Community Housing</td>
<td>Vic.</td>
<td>1,650</td>
</tr>
<tr>
<td>9</td>
<td>Bridge Housing</td>
<td>NSW</td>
<td>1,500</td>
</tr>
<tr>
<td>10</td>
<td>Aboriginal Housing Victoria</td>
<td>Vic.</td>
<td>1,450</td>
</tr>
<tr>
<td>11</td>
<td>Hume Community Housing</td>
<td>NSW</td>
<td>1,400</td>
</tr>
<tr>
<td>12</td>
<td>Access Housing</td>
<td>WA</td>
<td>1,400</td>
</tr>
<tr>
<td>13</td>
<td>Foundation Housing</td>
<td>WA</td>
<td>1,400</td>
</tr>
<tr>
<td>14</td>
<td>Unity Housing</td>
<td>SA</td>
<td>1,250</td>
</tr>
<tr>
<td>15</td>
<td>Brisbane Housing</td>
<td>Qld.</td>
<td>1,200</td>
</tr>
</tbody>
</table>

Source: Housing Action Network’s review of June 2011 audited accounts
1.5 SECTION CONCLUSIONS
With the right State Government policy settings, commercially experienced community housing providers can form the bedrock of a sustainable social housing system. New properties can be built through a blend of public subsidy and private finance. Higher tenant outcomes can be achieved, at lower running costs.

The Pathways consultation document correctly identifies the key problem over the last decade in Victoria as being the lack of a comprehensive strategy for the social and affordable system as a whole. Public investment was provided to build the capacity of community housing organisations, and then too little use made of this development resource. Instead of promoting partnerships between the community housing and private sector, housing associations were treated as a poor relation of the public housing bureaucracy.
HAVEN’S PROVEN TRACK RECORD

Haven is Australia’s only integrated affordable rental housing and homelessness services provider. We offer a variety of ways for people in housing need to move through and out of the publicly subsidised housing system. Haven is an example of a modern, efficient community housing organisation that can help Government reform the Victorian social housing.

2.1 VISION AND LEADING PRACTICE

Haven; Home, Safe is a not-for-profit community organisation based in Bendigo. Established in 1978, we have been operating in our current format since 1994. Over this period we have contributed more than $1 billion to the Victorian economy, operating across the state though with a core focus on regional areas.

Through offices in Bendigo, Geelong, Carrum Downs, Robinvale and Mildura, Haven manage more than 1,000 one to four bedroom homes and units, most less than ten years old. They are located in a range of regional centres, from Warrnambool to Traralgon and Mildura to Geelong, and suburban centres including Boronia, Croydon and Essendon.

We employ more than 100 staff. According to the results of our 2011 annual Staff Satisfaction survey, our team members are much more engaged and satisfied compared with national workforce data. The results show that Haven has a loyal and productive workforce, with 70% of respondents indicating they did not intend to leave the organisation. The national average is a lowly 18%. In addition, 94% of staff would recommend Haven as a great place to work.

Haven operates as a common intake for all homelessness and related issues. Through our extensive range of services, Haven acts as an effective pathway for both welfare agencies and government departments to help people in severe housing need. By helping re-integrate people into society, and building community cohesion, we reduce the overall cost of service provision to the Victorian Government.

We offer a variety of housing types from short-term emergency accommodation through to transitional and long-term rental housing. In recent years we have fully supported the Victorian Government’s policy of increasing the supply of affordable housing.

Haven now has the capacity to handle every aspect of affordable housing development including project financing, community consultation, planning, construction management, property maintenance, tenancy management and long term asset management.

Haven shares the Government’s understanding of the need to reform social housing in Victoria, and look to partner on project delivery. Even before the Pathways discussion paper was launched, we submitted a document to the Minister in February 2011. We showed how community housing organisations such as Haven and Housing Choices Australia could unlock additional income streams and raise $11 million to help transform 1,300 disadvantaged public housing units at Corio Norlane in Geelong through outsourced tenancy management (HCA and LMHS, 2011).
Our Mission
Haven; Home, Safe will provide shelter and support to people who are homeless or in housing crisis – those most at risk in our community.

Our Vision
We will relentlessly pursue, through our values based on culture, collaborations and community; the achievement of excellence in all things that we do.

Strategic Objectives
• To provide a range of sustainable housing objectives for people who are homeless or are in, or at risk, of housing crisis.
• To provide advocacy and support for our diverse clientele with a particular focus on developing life skills and individual capacity.
• To advocate, collaborate and participate to improve the resources available to the sector in order to deliver sustainable outcomes for people who are homeless or in housing crisis.

Haven’s Consistent Growth Record
2.2 INTEGRATED SERVICE DELIVERY

Haven operates along a continuum of housing and support services, ranging from responding to emergencies such as fires or floods, to primary responses to clients presenting in housing and financial distress. We also assist with a range of specialist case management and care programs to meet the needs of clients who include families, single parent families, the elderly, disabled, youth and single adults.

Haven also provides a range of social inclusion programs to assist clients in reconnecting to the community and developing individual resilience, particularly to the elderly, correction clients and mental health programs. We have a strong history of advocacy for clients and work in partnership with local social services and private sectors to address risk factors leading to homelessness.

The majority of the programs Haven delivers relate directly to early intervention strategies for people in need and at risk of homelessness as well as those who are experiencing homelessness. Haven case management staff work with clients to address the root causes of the problems. The ultimate purpose of all our activities is to integrate people experiencing homelessness into broader community supports so that they may participate as valued Victorian citizens.

New Housing for Indigenous Victorians

Meminar Ngangg Gimba (Women Who Dwell Here) is a program supporting Aboriginal and Torres Strait Islander women and their children who are dealing with or escaping family violence in the Mallee region.

The first phase of the program was launched last year, with Haven endorsed by the Indigenous Family Violence Regional Action Group as an interim provider of case management services.

Haven subsequently won the tender to provide case management through to 2015. As part of this second phase, the service will relocate to a purpose-built $2.4 million cluster housing complex in Mildura which will also provide short-stay accommodation for up to six women and their children.

2.3 AFFORDABLE HOUSING DEVELOPMENT

In 2005, Haven (then known as Loddon Mallee Housing Services) became Victoria’s first Affordable Housing Association. Much of our growth since then has been driven by the expansion of our affordable housing property portfolio funded by the Nation Building Economic Stimulus Plan, investing our own funds, and raising bank loans.

We commissioned a major research project in 2010 to better understand our affordable housing tenants. The research shows affordable housing now forms an integral part of the social housing sector. With its broad entry requirements, affordable housing directly helps the broader Victorian housing market through relieving pressure on private rental housing and accommodating families who would otherwise occupy public housing. Of our affordable housing tenants, 64% of respondents moved from private rental, and 45% had been on the public housing waiting list at some point in the past.

Haven’s new affordable properties are mostly medium-density developments. Properties are located in regional and metropolitan areas experiencing a high demand to house lower-paid ‘key workers’ who support the Victorian economy. Schemes have been undertaken at Bendigo, Ballarat, Geelong, Warrnambool and Frankston, and across suburban Melbourne in Boronia, Croydon and Essendon. Of our affordable housing tenants, all have been Public Housing eligible, 64% moved from private rental, and nearly 50% had been on the public housing waiting list at some point in the past.
Building Excellence: Tram Road, Doncaster

Haven’s imposing and impressive 98-unit apartment building at 95-99 Tram Road opened in 2011. Located in the heart of Doncaster, this $34.5 million project is our flagship property to date.

With 20 x 3BR, 57 x 2BR and 21 x 1BR apartments, it is the largest single development so far by Haven.

All units have six-star energy ratings demonstrating sustainable technologies and sound environmental principles.

Features include double-glazed windows and doors, evacuated tube solar technology for hot water heating, and a 20,000-litre water-harvesting hydraulic storm water system for building irrigation.

Five of the 1BR apartments have been extensively designed to meet the needs of people with disabilities requiring a wheelchair while another six are Class C Adaptable, which means they are easily modified for tenants with a disability along “aging in place” guidelines.

Government contribution:
$25.9 million
Haven contribution $8.6 million plus land

Market rent for each configuration:
1BR = $350
2BR = $400
3BR = $450
Total rental income per annum: $1.3 million*

Household income mix
$0-$31,000 21%
$31,100-$50,000 46%
$50,000-$90,816 33%

*Rents were capped to 30% of income for most tenants earning less than $50,000.
Haven is an example of how an organisation with a social benefit purpose is able to create a market for well-designed and managed solutions based on a commercial business model. It has demonstrated how an innovative use of leveraged capital can be used to increase its capacity to service its market sector and the benefits for the whole community that arise when such an approach is adopted.

- David Admans, Director, Innovative Regions Centre, Enterprise Connect

2.4 LEVERAGING PRIVATE INVESTMENT

To achieve our aim of helping and housing people in need, we have become more entrepreneurial. This has involved raising new forms of finance, building in-house property development skills, and forming partnerships with the private sector.

In 2010 Haven signed a $50 million funding facility with Community Sector Banking (CSB) to assist construction of 800 new affordable rental properties across Victoria. CSB is the only Australian bank solely dedicated to social enterprises, and is 50% owned by the community sector and 50% by Bendigo and Adelaide Bank.

This fundraising cemented our financial future and growth, and showed how two values-driven organisations can form business relationships to deliver affordable housing. Haven is an approved NRAS participant and has been allocated 100 incentives across regional Victoria to develop new properties.

We have also been contracted to provide tenancy and property management services for other NRAS participants in metropolitan areas. Our involvement in NRAS shows our commitment to working with private financiers and development companies to produce additional housing, making Victorian taxpayer dollars go further.

We consider it important to support new mixed-tenure development projects which produce sustainable mixed communities with a blend of social and affordable rental properties in addition to private market sales.

Our scheme at Wattlewood, described on page 27, is a contemporary masterplanned community that will incorporate around 40% affordable rentals along with private housing. Part of the sales proceeds of market-rate homes will cross subsidise the rental housing for low to moderate income families.
2.5 ENCOURAGING PATHWAYS TO THE PRIVATE MARKET
Haven’s innovative affordable housing program makes renting a home within the reach of people on low to moderate incomes by offering a 10%, 20% or 30% discount to market rents. We offer affordable housing to people who live in the area in which they are applying for accommodation, who do not already own property, and have gross household income below $91,000.

We established a range of rent settings to provide more flexibility to households. Residents with lower household incomes receive a larger discount to market rent, thereby targeting subsidies to where they are needed most. Income levels and rental discounts are reviewed regularly, unlike with Victorian public housing.

Haven’s approach allows households to transition more easily within the social housing system from public housing to affordable housing rents, when incomes rise. It also helps smooth the difficult transition often faced when households move out from the social housing and into the private rental market.

Our carefully planned affordable housing scheme therefore addresses issues highlighted in the Pathways report of welfare dependency, by helping people escape from the poverty trap.

2.6 SECTION CONCLUSIONS
Haven has been transformed over the last decade from a traditional regionally-focused community organisation into a dynamic Victorian social enterprise. We have a $23 million operating budget, $247 million in total assets on balance sheet, and a capital budget of $53 million in property development currently underway.

By the time the current building pipeline is cleared, Haven will have built more than 1000 new homes.

Community housing organisations such as Haven already help address the four key issues facing the social housing sector identified by KPMG.

Filling the Gap in the Housing Continuum

We operate a financially sustainable business model due to our mix of tenancies, CRA receipts by our tenants, low cost base and through raising private finance. We do not have a maintenance backlog, as our stock is newer and kept in excellent condition through a funded maintenance program. Finally, our affordable housing development program produces in-demand smaller properties, housing people who might otherwise be on the public housing waiting list.
End to Pensioner’s Struggle

In 1988, after more than 20 wonderful years in their Yallourn North home, Ken and Margaret Cook faced an uncertain future.

With Morwell’s power stations being privatised, job prospects were grim for crane driver Ken. The couple rented out their home and moved to NSW in search of secure employment. Then Ken injured his back.

“Financially, we struggled,” Margaret, 70, says. “Ken wasn’t earning and we were both on the pension so we sold our house in Yallourn.”

For the next 17 years, the couple rented a series of homes in Ballina and Banora Point, NSW.

In 2005, after a trip to see family, Ken and Margaret moved back to the Morwell area where rent was cheaper. Initially they rented their son’s home but family circumstances changed and the house was sold.

“We seemed to be constantly looking for somewhere to live and at our age, it’s expensive, stressful and it just gets beyond you,” Margaret says. “We just wanted somewhere permanent to call home.”

That permanency came in the form of a Haven ad in the local paper seeking tenants for its affordable housing properties. The Cooks applied for a 2BR unit expecting to be placed on a long waiting list but to their delight, were shown through and offered their preferred property. They have been in their unit since July 2010.

“I’m positively, absolutely over the moon to be finally settled,” Margaret says.

“We don’t have to worry about the rent going up or the house being sold and going through the exhausting process of looking for somewhere else. To be secure for the first time in many years is pure heaven.”

HAVEN’S AFFORDABLE HOUSING: TRANSFORMING LIVES

“We seemed to be constantly looking for somewhere to live and at our age, it’s expensive, stressful and it just gets beyond you.” Margaret says.
Family Finds a Safe Haven Online
A simple Google search led to a better life for Warrnambool couple Darryl and Coralie Hiscock and daughters, Ellie and Laura. In late 2009, the family was contemplating a move from their 3BR housing co-operative home due to Ellie’s bad asthma.

“The house was old, the windows and doors didn’t seal properly and it was always cold,” Coralie said. “It wasn’t a great place for a child with asthma.” Unsure where to start the couple turned to the Internet and Googled two words: affordable housing. This led them to the Loddon Mallee Housing Services website (now Haven) and the Affordable Housing program.

Coralie made some online inquiries, printed off the application forms and applied. Within weeks, Haven contacted the family about a 3BR home which had just become vacant. Two years later, the family regard it as ‘home’.

“It’s a great location, the people are lovely and it’s really family-oriented,” she said. “We’re in a quiet court so the kids can ride their bikes in the street without me worrying, and the house is centrally heated so that no matter where Ellie is, she’s warm.”

The Hiscocks say the rent subsidy has allowed them to enjoy some simple luxuries while saving for their own home.

“For an equivalent home on the private rental market, we would be paying another $50-$60 a week,” she said. “I only work part-time so the subsidy makes a big difference starting from the food you buy to the little extras you can afford for the family.”
3 SUPPORTING NEW VICTORIAN APPROACHES

Haven believes community housing organisations hold the key to making the Victorian social housing system fairer and more sustainable, as well as developing the maximum number of new affordable homes per unit of public subsidy. The Pathways paper proposes eight aspects of social housing requiring reform, and for each we demonstrate practical ways community housing can help achieve the Government’s policy objectives.

3.1 THE ROLE OF GOVERNMENT

Partly subsidised low cost rental accommodation for high needs groups can be provided by the public, private or not-for-profit sectors. From the middle of the 20th century, public housing was the favoured approach in Victoria, complemented later by a small community housing sector and support of certain private sector tenancies through CRA.

The position is very different in 2012. Market based reforms of social housing delivery over the last two decades have transformed institutional structures. New construction of housing by public authorities is rare, and community housing organisations are the emerging guardians of publicly subsidised housing, often charged with developing, owning and managing low cost rental homes. Most initiatives to re-develop troubled public housing estates are through cross-sectoral partnerships, and the private sector has become a more significant investor in affordable housing through NRAS.

This transformation has led to what researchers see as the ‘network governance’ of social housing, unlike the traditional hierarchical relationships between governments and state housing authorities (Rhodes, 1997). Housing governance through networks needs a transformation in the way Governments work. States need to adopt ‘steering techniques’ to coordinate between not-for-profit, private and public affordable housing organisations to maximise the effectiveness of public investment.

In the future we anticipate State Government will continue to have a strong role in steering the social housing system. However, the role should be one of setting objectives, managing subsidy allocations, and helping coordination, with less of a focus on direct service delivery. NRAS is a good example of the way that public subsidy was contestably allocated by Government between existing community housing providers, private developers, newly formed special purpose vehicles, universities and local councils.

Community Housing Efficiencies

Detailed financial modelling undertaken by Haven and Housing Choices Australia in early 2011, submitted to the Housing Minister, demonstrated the benefits of using community housing organisations in running social housing.

Based on a plan to transfer 1300 public housing units in Corio Norlane to the community housing sector, we highlighted:

- $11 million benefits over three years of additional CRA receipts flowing to Victoria. The proceeds would be used to fund a substantial maintenance program to clear the backlog.
- Net annual cashflows for managing the estate turned from a deficit of $340,000 under public housing to a surplus of $3,600,000 under community housing.
- Completion of estate renewal, and diversification to a mixed tenure community over time, achievable without public sector investment.

Source: HCA and LMHS (2011)

We believe a ‘whole of government’ approach to reforming the social housing system will work best. It is important to transform the private purchase and rental sector, as well as social housing, so that some tenants currently in social housing can find pathways out.
The benefits system often acts as a deterrent to families moving to employment and out of social housing, and this needs reform. Furthermore issues such as planning, land supply and taxation have major impacts on social housing demand though are often treated as being non-housing issues (Gronda & Costello, 2011).

What should the future of social housing look like?

- The Victorian social housing system needs to move to a situation where the Government is no longer a near-monopoly supplier of social housing. At a minimum, the Commonwealth’s target of 35% of the sector managed by community housing providers should be achieved. Within 5-10 years the proportion of housing both owned and managed by the State should fall to below one third.

- For an efficient allocation of public funding, housing organisations need to be transparent in their financial reporting. At present it is possible to compare Victorian community housing organisations and determine who are the most efficient and effective. This is not possible with public housing, where costs are lost in a large bureaucracy and hidden behind opaque transfer pricing.

- To achieve transparency and accountability, as a first step we suggest corporatising the public housing activities of DHS. We recommend following English housing approaches from the early 2000s, where new housing providers had an upper limit of 5,000 properties. The Victorian public housing portfolio would need to be split into more than the eight current regions operated by DHS, particularly in metropolitan Melbourne.

- The new public housing organisations should be designed based on geographical considerations, so that management can respond to local needs. In rural areas the region could cover several local council areas; in urban or suburban areas the region may be a single estate.

The aim is that, over time, the regions could move to different forms of social housing:

- Social housing ownership and management could be transferred in medium sized blocks (of say 500 to 1,000 homes) to existing larger Victorian housing associations. This would be through competitive tender, making the process transparent and ensuring best outcomes for Government.

- Smaller social housing parcels (of say 50 to 100 homes) could be transferred to either up-and-coming not-for-profit housing providers, or specialist welfare organisations. This would allow these organisations to build capacity. Potentially management could be transferred first, followed at a later stage by asset ownership subject to satisfactory performance.

- The management of larger social housing estates could be transferred to community housing organisations to fund maintenance backlogs. The viability of this model is shown in the example of Corio Norlane, Geelong, proposed by Haven and Housing Choices Australia.

- Assets could remain within some of the corporatised regions of DHS over the medium and possibly longer term, though management operated with a minimum intervention by State Government. This would be similar to the Arms’ Length Management Organisation (ALMO) approach used successfully in England. Note that in England, after their first decade, around a quarter of ALMOs are transforming into housing associations.

- Following the recommendations of the KPMG report, certain public housing assets could be transferred to public, private, not-for-profit partnership vehicles (PPPs). This would be the best approach for large scale estate renewal and de-concentration of public housing. Social housing PPPs would be suitable for blocks of housing of between 500 and 2,000 homes.

- Again, as suggested by KPMG, smaller blocks of public housing could be transformed through partnerships between community housing organisations and the private sector. Following the approach currently under discussion in South Australia, these could be in blocks of between 50 and 100 properties.

- Some public housing stock in DHS regions could be transferred to newly established not-for-profit vehicles which then operate as independent housing associations. This follows the approach used by the ACT Government in founding Community Housing Canberra in the 1990s (now CHC Affordable Housing).
• In the future the Victorian social housing system should become less homogenous, with a variety of different types of organisations. This follows the pattern used by Britain in transforming their public housing system. We do not believe there is a single ‘silver bullet’ solution, rather a number of different pathways to follow. This is because both housing need and existing social housing stock vary considerable between regions. What works in Carlton may not work in Bendigo.

• In addition to the greater variety of types of organisations helping in the supply and management of social housing, it will become more common for projects to be delivered through cross-sector partnerships. This is particularly the case for medium and large development projects where working with an experienced private developer reduces risk. Haven is using this approach for their Project Cairo at Southbank.

Stock Transfer Success in Canberra
CHC Affordable Housing was established by the ACT Government as Community Housing Canberra in 1998. CHC’s growth was closely linked to stock transfer, with 208 properties initially transferred from the Territory’s public housing stock.

CHC subsequently built skills in property development, starting with the $29 million ‘City Edge’ development in 2002 which was a joint venture with a private company to demolish 143 small and low quality public housing bedsits and construct 126 new dwellings. This was the first non-government driven mixed tenure re-development incorporating public and community housing.

Later, as part of the ACT’s 2007 Affordable Housing Action Plan, ownership of a further 132 public housing units were transferred to CHC. The properties are being refurbished or rebuilt by 2015, with CHC funding this by leveraging against the $40 million asset value (Milligan et al., 2010).
Mixed, Cohesive Communities: Project Cairo, Southbank

Haven is a member of a consortium led by The Mackie Group which has been recently awarded the contract to build a 100-metre tall residential and commercial development on the former playgrounds of the JH Boyd School in Southbank.

The proposed Cairo development will have a 5 star energy rating, retail on the ground level and 200 residential apartments. Up to 20 per cent of the apartments will be developed for affordable housing and housing for people with an acquired or life-long disability.

The development will create a new paradigm in community living and caring, set among the City of Melbourne’s community facilities and park. Community facilities include a library, maternal and child health and family services facility, multi-purpose meeting rooms and artist studio spaces, and an adjacent inner urban park.

Construction is expected to start in 2013.

Should the Victorian Government own and Manage such a Large Housing Portfolio?

• The DHS public housing portfolio of 65,000 properties owned and managed is very large by international standards. It is around the same size as the largest social housing provider in the Netherlands (Vestia), a country where 30% of all housing is in the social housing sector. Furthermore DHS is bigger than any social housing provider in Britain - Places for People only manage a portfolio of 60,000 properties (Bourke & Gilmour, 2011).

• As a very large housing organisation, DHS is not able to provide a more personalised service for tenants, for communities or for their staff. Whatever social housing ownership and management approach is chosen by State Government, it is our belief that the portfolio needs to broken into units that can be more effectively managed.

• It is unlikely that full management transformation will be achieved if the Victorian public housing remains within the state sector. Different management experience is required, and key recruits are less likely to be employed by the Government. Following the experiences in Britain and the Netherlands, top-flight managers are more likely to join community housing organisations, public private partnership vehicles or ALMOs.

• The Government needs to separate the issues of public housing ownership and management. In the short term, retaining ownership of much of the public housing portfolio is likely to best maintain the state’s high credit rating. Transferring management of public housing assets, by contrast, will lead to better management practices without impacting the AAA rating. Ownership transfer can take place progressively, potentially over a decade, in line with the increasing capacity and proven track record of the community housing sector.
Should Community Housing take on a Greater Ownership or Management Role?

- There are clear benefits that can be achieved for Government by increasing the proportion of Victorian social housing being owned and managed by contemporary, business-like community housing organisations. Running costs will fall, transparency increase and tenant satisfaction improve. There will be a more strategic management of assets, and the delivery through a mix of public and private funds of more new affordable homes.

- Progressive transfers of public housing to the community housing sector are the main way in which the Victorian social housing system will become sustainable. Although public subsidy will still be required, the level of revenue subsidy required per unit of social housing will be lower. In addition, the capital cost of new social housing construction will be lower if homes are delivered by housing associations that can raise private construction finance.

- Although the private sector have an important role to play in transforming Victorian social housing, their role is best limited to areas where they have greatest experience. For example, with large re-development projects and building masterplanned estates. In other areas, the Government will pay more to use private organisations as they require a profit margin, and this will need to come from public subsidy.

If Government invests through community housing organisations, 100% of funding will be used for public policy outcomes.

- To achieve full benefit from a greater involvement by community housing organisations, State Government regulation, policy and funding must change. We will need to follow the types of policies pursued by Coalition Governments in Western Australia, Queensland and NSW which encourage innovation, partnerships and strategic asset management.

- To provide a broader selection of housing options, forming a housing continuum, community housing providers should be allowed to offer a range of allocation policies and rent settings. This would allow them to house a broader range of households. In NSW, for example, affordable housing covers three income bands based on a relationship to the median household income in a neighbourhood: ‘very low’ (less than 50% median income), ‘low’ (50% - 80%) and ‘moderate’ (80% - 120%).

How can assistance be Better Targeted and Better Designed?

The main contribution from State Government should be the development of a comprehensive social and affordable housing strategy which establishes a consistent plan for where assistance is targeted. Previous Governments have residualised the public housing stock, targeting large amounts of funding at very low income households. However, a lack of investment in affordable housing has kept many Victorians in a poverty trap - they do not have affordable rental options available.

- We support the approach used in Western Australia, where Government targets a portion of housing assistance to support intermediate housing markets, giving households a chance to move along the housing continuum. This is the strategy pursued by Haven through our affordable rental products which offer discounts of 10%, 20% or 30% to market rents.

WA Coalition Housing Policy

The Western Australian Government is moving the focus from running public housing, to provide a more diversified range of housing options. Initiatives include: An alternate housing market for new types of affordable accommodation that operates at an ongoing discount to regular housing. This means increasing affordable entry point housing options and mid-way solutions between traditional rental and unencumbered home ownership for those households who want them.

A more dynamic transition-oriented housing continuum with tailored interventions to encourage and support the mobility of low-to moderate income households. This means actively facilitating the transition process to achieve the best housing outcome for particular households over time, relative to their circumstances.

How can the Public Housing Sector Interact more effectively with other Sectors in the Community to Better Meet the Needs of Tenants and the Community?

- Haven’s main proposal is that public housing should be broken-down into smaller operating units with a regional or local focus. This will make the public housing sector more responsive to the communities they serve, and increase accountability as the Chief Executive of these regional organisations will be known to stakeholders, and can be held accountable for organisational performance.

- Tenant involvement mechanisms in public housing have become tired, with many tenants not becoming involved as they believe their voice will not be heard. Victorian public housing agencies need to follow the lead of community housing organisations such as Haven and introduce tenant advisory groups that have a real impact on the way the business is run. Tenant involvement helps build the social capital of those who participate, and allows the housing organisation to address problems before they become serious.

- The Government should make efforts to recruit a new generation of public housing senior managers. If there is a move to ALMO style organisations in Victoria, it will be easier to recruit the brightest and the best. They should be remunerated on a par with what they could earn in a commercial organisation, provided they transform the business footing of their organisation. Corporatisation of public housing agencies will make it easier to track successful performance, and share knowledge of best practice.

- As already discussed in this submission, the core role of Government will become the strategic steerage of the Victorian social and affordable housing sectors. Housing organisations, whether in the public or not-for-profit sectors, should be set clear goals against which their performance can be monitored. However, the Government should not seek to micro-manage their day-to-day business decisions.
The general intent of this [NSW allocations] policy is to generate greater turnover of social housing stock. However, the data... suggests that in fact turnover has decreased, which in turn suggesting either that long term tenants are staying in greater numbers, or that those on short term tenancies are in the main assessed as still eligible at the expiry of their tenancy are allowed to stay. It is also possible both of these factors are operating. Source: Eastgate et al. (2011) p.8-9

3.2 MAKING HOUSING ALLOCATION FAIRER

We agree with the principle that social housing allocation should be made fairer. Taxpayer funding should be directed towards households with the greatest housing need, and should be used wisely to gain the maximum benefits per unit of subsidy. Fair allocation is therefore important in achieving both optimum social and economic outcomes.

However, as noted in the quotation from the Pathways document, the principal need within the Victorian social housing system is to make it easier to transition between types of housing. In particular, households with increasing incomes should be able to move to housing with fewer subsidies. This can be achieved by increasing the supply of affordable housing provided by the community and private sectors, and aimed at low to moderate income households.

Without a comprehensive reform to the Victorian housing and benefits system, reforming public housing allocations will not work. There needs to be affordable properties into which those no longer eligible for public housing can move. At present, this type of housing stock is limited.

Many cheaper private rental properties are occupied by moderate income households who in the past would have become first time buyers. Forcing large numbers of people to leave public housing will most likely increase homelessness, placing a greater demand on human services and transitional accommodation. This will increase the overall State Government expenditure without addressing the fundamental problems in the housing system.

As the Pathways paper notes, reform of the disability services sector in the 1990s led to a further increase in the proportion of social housing tenants with special needs. Most tenants, due to their age, disability or social challenges are receiving benefits. Therefore they will not be able to increase their incomes sufficiently to transition to the private market. Changes to housing allocation will therefore impact at the margins, affecting only a small number of households.

There is now Australian evidence on the impact of changing public housing allocations. In 2005 NSW moved to a position where, for new public housing tenants, eligibility would be limited to the period during which a household continued to meet the criteria of special needs (NSW Government, 2005).

An independent survey indicated the NSW policies had not increased movement in the social housing system, and there was an indication that a regular checking of eligibility did not lead to a move into the private sector (Eastgate et al., 2011).

How can the Allocation of Finite Public Housing Stock be MadeFairer?

- The Victorian public housing allocation system is probably due for review and reform. However, given interstate experiences, this will only play a small part in transforming the social housing system. Most Government resources should be devoted to implementing the housing supply initiatives identified by KPMG.
- It might be appropriate for new households entering the public housing system who are not special needs to be given Limited Tenure, with a review of circumstances after two years. For groups such as people living with a disability, or elderly households, this type of tenancy will not be appropriate as they are unlikely to be able to transition to the private market.
Community housing organisations need freedom to allocate affordable housing to a variety of household types, both those with special needs as well as low income working households. Public and community housing providers need to differentiate from each other, to maximise pathways through the housing system and consumer choice.

Should Tenure Reviews be Considered for Public Housing Tenants?

- Tenure reviews may be appropriate for the Limited Tenure group identified in the previous sub-section. However, this will not be appropriate for all public housing tenants. The administrative costs for Government will be too high, the returns low in terms of promoting turnover, and most higher needs households will remain eligible for public households throughout their lives.

- Contemporary affordable housing schemes, such as NRAS, already have regular eligibility tests. This model could be used more widely for affordable housing, as could the graded discount to market rent scheme pioneered by Haven.

How Frequently should Tenure be Reviewed, Taking into account the Importance of Housing Stability for Public Housing Tenants?

- As discussed, tenure review may only be suitable for a small portion of new public housing tenancies. For these households, review every two years would be appropriate. Government should aim to introduce a system which is straightforward to administer, with a minimum compliance burden.

How Should Tenants Continue to be Supported to Transition out of Public Housing in the Event that Tenure Reviews Result in them no longer being Eligible?

- It is likely that there will only be modest numbers of public housing tenants that are able to transition to community or private housing. Therefore it will be possible to target support, and tailor it to individual circumstances.

- In the case of transitioning to community housing, professional organisations such as Haven already have in place mechanisms that help people sustain their tenancies. They often also have schemes that support building life skills, for example through training or the provision of subsidised computer access.

- For tenants moving to private landlords, training may be needed for both the tenant and the landlord. Free induction sessions could be provided by the Tenants Union so that tenants fully understand their rights and obligations.

- Limited Tenure tenancies could be designed such that the ongoing eligibility criteria are slightly more generous than the initial criteria. This is a system that works successfully with NRAS funded affordable housing. Such schemes have the benefit of encouraging social housing tenants to work harder, and seek higher paid employment, without fear of eviction.
3.3 INCREASING SOCIAL HOUSING FLEXIBILITY

The most important way to increase flexibility is to expand the type and number of intermediate housing types - affordable social housing rentals, NRAS projects, shared equity and ownership, rent-to-buy schemes, community land trusts etc. The previous Victorian Government has been slow in promoting these products, unlike Governments in South Australia and Western Australia. Flexibility requires not just a reform of existing social housing, but an increase in options for people to transition into.

KPMG’s report prepared in connection with the Pathways review paper places a lower priority on shared equity and ownership. This appears to be because they do not envisage public housing tenants able to transition to this form of tenure. Our view is that the benefits of shared equity and ownership would be, in the first instance, to the Victorian housing system as a whole.

Households in private rental would be more able to move to subsidised homes ownership, freeing lower cost rental properties suitable for some people currently in social housing.

How Can Incentives be Created to Transition individuals who are Ready to Exercise Independence into the Private Market after a Period of Time (this can be for individuals and Service Providers)?

- It is unlikely that many Victorians will be able to move in a single step from heavily subsidised public housing into private rental or ownership. What is required is a series of intermediate steps, allowing more manageable transitions along the housing spectrum. The most important intermediate step, in short supply at present, is affordable rental housing. This is where community housing organisations can be of greatest assistance in making the Victorian social housing system work more effectively.

- We have already detailed various support mechanisms and training that can be provided to help tenure transition.

- For some tenants, raising money for a bond in the private sector is a problem. The current bond loan scheme could be enhanced, and made available in more situations and with less paperwork. Also, as an incentive, part of the loan could be written off after (say) two years if the household successfully maintains a tenancy in the private sector.

If a Tenant’s Personal Circumstances Change how do we Facilitate their Transition into Suitable accommodation that Better Meets their Changed Needs?

- We agree with the point in the Pathways document that a fairer public housing system would be more person-centred rather than service orientated. However, this is going to be hard to achieve if DHS remain as one of the largest social housing landlords in the world, and operate with tightly established bureaucratic procedures. Therefore it is important to corporatise and split-up the public housing portfolio and transition to organisations that can be more responsive to local housing need, employment realities and individual household circumstances.

- Governments around Australia, and in Britain, are considering ways to discourage under-occupation of social housing. Options include helping find smaller accommodation, cash incentives, encouraging taking in lodgers or a ‘bedroom tax’ (proposed in Britain) on unused bedrooms. Our view is:

  - Changes to reduce under-occupation will only have a modest impact. The main issue with the Victorian housing stock, as noted in the Pathways report, is a shortage of smaller public housing units.

  - Moving people from homes they have occupied for a number of years will often lead to a loss of community cohesion, and often problems for people moving into new areas where they have fewer links. If social issues arise from the move, the cost of providing support may fall on Government.
- It may be beneficial for smaller households to stay in larger properties if they are better connected to employment prospects.
- The proposal to force down-sizing to smaller properties has produced a considerable backlash in Queensland. This may limit Government’s ability to introduce other reforms in the social housing system. The best approach may be to offer financial incentives for households willing to down-size, and investment in procedures and computer systems making to easier to identify households willing to move.

**Should the Existing one-size Fits all Rent Model (Where Tenants Contribute a Proportion of income in Rent) Be Retained?**

- The current system of rent setting based on income is the fairest way of providing housing assistance and in targeting support to households most in need. It is well established and understood, and in line with best practice nationally and internationally.
- Alternative rent setting policies, such as pegging rents to a discount of market rents, expose low income households to considerable risk. Market rents usually rise much faster than incomes, especially for the majority of public housing tenants who rely on benefits.
- Discount to market rents are really only suitable for affordable housing tenants who are more likely to increase their earning power and transition to full market rents or home purchase.
- If the Victorian Government moved from income based rents on public housing, it is likely that there would need to be greater expenditure on human services to support families in need, especially those with children. Therefore a fall in social housing expenditure may lead to a rise in other types of state spending.
3.4 MAKING HOUSING TENURE FAIRER
While modest reform of social housing tenure and reforms to the working of the social housing waiting list are welcome, they will have limited impact unless forming more comprehensive changes to the public, community and private housing markets. Cooperation between housing and support agencies can best be achieved by breaking-up the DHS portfolio, and allowing more locally tailored cross-sector partnerships. These have become an established feature of community housing.

Should Those Who are able to Transition into other Forms of Housing be Offered More Limited Social Housing Tenure Arrangements?
• Variable lease agreements for newly accommodated lower-needs tenants of public housing will only apply to a small number of households. This is due to the continuing redualisation of the social housing stock, with new tenancies largely restricted to households with complex and specialised requirements.
• Working households on low income should be offered Affordable Housing leases with rents based on a discount to market, and reviewed every two years. As incomes rise, the discount to market should be reduced rather than the household forced to move directly into the private sector.

3.5 PROVIDING 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 total residents in the sector. Many are outside the labour market voluntarily, because of family responsibilities or early retirement for example, or are too ill to work.

Research from Britain, where the problem is both greater and has been studies in more detail, suggests there a variety of factors leading to ‘worklessness’. Many of the causes are complex and cultural, and not necessarily related to the housing or benefits system. As such the problem, of increasing employment among social housing tenants is likely to require concerted and coordinated action by the Victorian Government.
Workless people vary in their characteristics and needs, although most worklessness is associated with disadvantage. Workless Londoners have more diverse needs than those in other parts of Britain. In particular they are more likely to be under 50, to have children, to have been born outside Britain and to be of black or minority ethnic origin. Many workless Londoners face more than one barrier to work. Tackling one set of problems while ignoring others is unlikely to make much impact on the problem.

Source: Meadows (2011) p.4

What Measures can be Taken to Ensure Disincentives to Work, Education or Training are Avoided?

- There will need to be a whole-of-government approach at state level, and cooperation between the state and commonwealth. Although the Victorian Government can make decisions on social housing allocation, they have little power to change the fundamental architecture of welfare benefits.

- For individuals who are able to work, an additional supply of intermediate housing options will allow them to progress towards forms of housing requiring less public subsidy. The 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 benefits.

- Eliminating security of tenure for large numbers of existing public housing residents is likely to act as a disincentive to finding employment. It should therefore not be adopted as a policy for current social housing tenants.

- The greatest problems with worklessness are in areas of concentrated social and economic disadvantage. In some cases several generations in the same household will 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, the State Government has most levers in areas where it is the landlord. Reducing social housing concentration in large public housing estates therefore plays a particular part in reducing worklessness.

Building Life Skills

In the past year, over 260 people across the Loddon Mallee Region have benefited from Haven’s Saver Plus, Australia’s largest matched savings and financial education program.

The program, which was developed by the Brotherhood of St Laurence and ANZ, is delivered in partnership with Haven across the region. Participants have saved nearly $60,000 and used their matched savings to help pay for laptops, school uniforms and sports fees.

Saver Plus helps people on lower incomes to strengthen their financial skills and develop a savings habit by matching their personal savings dollar-for-dollar, up to $500. The success of the Saver Plus program is encouraging, with 87% of past participants continuing to save at the same rate or more, two years after Saver Plus.
3.6 IMPROVING COMMUNITY OUTCOMES

The Pathways paper notes that in some public housing estates poverty has become entrenched, there is a culture of not working, and there are greater than average levels of anti-social behaviour. People living in low income neighbourhoods are less likely to have opportunities to participate in civil society, access higher education or to obtain better paid jobs allowing more choices on location and housing tenure.

While we acknowledge the existence of these types of problems in certain areas, the case has been over-stated. There is a perception that social housing is relatively concentrated in ‘problem estates’, despite the fact that most Victorian social housing is either pepper-potted within private housing neighbourhoods, or in small estates. Furthermore, the link between social housing concentration, and concentrations of disadvantage, has been challenged by Australian researchers. Poor neighbourhood quality and pockets of poverty also exist within areas dominated by private housing: nearly half of Melbourne census districts in 2001 with severe disadvantage had low proportions of social housing (Randolph & Holloway, 2005).

Community housing has several characteristics that differentiate it from public housing, and can lead to better community outcomes:

- Not-for-profit housing providers are considerably smaller than state housing authorities, and able to maintain closer and more personal links with their tenants. Problem tenancies can be identified sooner, and tailored action taken.
- All community housing providers involve tenants in running their business. Some have tenant directors, while others tenant representative organisations that impact decision making. Tenant social events, barbecues and information sessions are common in community housing. These both allow tenants to feel a sense of ownership and involvement, as well as enabling problem tenants to be identified through complaints by neighbours.
- The community housing sector’s pioneering work in establishing social enterprises can help deliver more sustainable neighbourhoods, and reduce anti-social behaviour by tenants.

What Obligations is it Reasonable to Expect Tenants to Meet in Return for Public Housing?

- Current social housing tenancy agreements contain sufficient obligations on tenants. In some cases in the public housing sector, these obligations need to be enforced more consistently. Households should be supported to maintain their tenancies, through specialised assistance.

As public housing remains the accommodation of last resort for those in housing stress, it is preferable to work with tenants rather than issue threats or increase penalties.
- The key to addressing anti-social behaviour by public housing tenants is to provide better quality and more effective landlord services. These can best be delivered by smaller, more locally responsive housing organisations. The most successful organisations at achieving this, from Australian and overseas experience, are community housing providers.

Are There Financial or Lease-related Barriers for Tenants that Restrict Tenants’ Participation in Education and Training?

- Barriers to training are unlikely to be due to the terms of a tenancy agreement. However, one issue may be the availability of local education and training facilities, particularly in poorly located public housing estates. Reduced funding of TAFE colleges may also be a factor. As with the example of Kensington, social housing landlords need to work closely around training issues, and try where possible to negotiate opportunities for their tenants with local businesses or possibly through procurement of property management.
- Locally grounded social housing providers, who work closely with partners in the neighbourhoods in which they operate, are more likely to be able to match tenant needs with providers of training and education. Centralised bureaucracies are less likely to be successful.
Tenant Involvement at Haven

Our Tenant Reference Group (TRG) was founded in 2008 and is a sub-committee of affordable housing tenants which reports directly to Haven’s Board of Directors.

The TRG meets quarterly and provides feedback and recommendations on housing design improvements and tenant-related policies.

TRG members have also been involved with:
- The development of a Tenant Handbook.
- The new Haven website.
- The development of their Facebook page. The TRG’s contribution to Haven’s strategic plan and management of tenancy services has been invaluable.

Developing at scale: Wattlewood, Carrum Downs

Wattlewood is an $80 million masterplanned private property development which is Haven’s biggest project to date.

It includes a 237-lot residential subdivision with 100 new affordable housing units integrated with private market homes. Profits from private residential land sales will generate an equity contribution to the project, which will effectively decrease the State government’s 75% contribution.

Formerly the GK Tucker Estate owned by the Brotherhood of St Laurence, Wattlewood was bought by Haven in 2009. The 17 hectare residential zoned site contained a decommissioned aged care facility, 130 run-down units and more than 80 elderly residents still living on the site.

We have provided residents with regular updates on the status of the project over the past two years via their monthly newsletter The Grapevine and at biannual functions, including fully-catered Christmas parties.

Land sales and Stage 1 of construction started in 2012 with the first tenants due to move into their new homes by the end of 2013. The remaining three stages are due for completion by 2016.
3.7 ESTABLISHING MUTUAL OBLIGATIONS FOR TENANTS

Establishing mutual obligations for tenants can be a challenge, whether people are renting from public, not-for-profit or private landlords. In general, the problem seems to be greatest with public housing, and less so in the community and private sectors. The issue may be as much due to the effectiveness and processes followed by the landlord as the type of tenant.

One option is to explore the option of introducing tenant incentive schemes. These are strategies used by housing managers in the public and community sector to reward tenants who meet the conditions of their tenancies, such as paying rent on time or maintaining their property well. Such schemes have been used in Britain since the 1990s, and are available on a small scale in all Australian jurisdictions except Victoria. Irwell Valley Housing Association has probably the most sophisticated scheme in Britain, and claims it is cost-neutral as the cost of incentives is counter-balanced by better rent collection and less property damage (Gilmour, 2009).

What Incentives Could be Implemented to Encourage Public Housing Tenants to Maintain their Properties to an Acceptable Standard and to Act as a ‘Good Neighbour’?

- Research confirms tenant incentive schemes have some potential to positively influence the behaviour of tenants with regard to property care and community participation (Jacobs, 2008). Therefore we suggest schemes could be introduced in Victoria, perhaps using one of the DHS regions as a pilot project.

- Social housing tenants with longer term housing security will have more of an incentive to look after their property. Removing tenure security for existing public housing tenants is likely to reduce incentives to look after properties.

- The maintenance backlog identified in the Pathways report has led to a low standard of amenity of much of the public housing portfolio. Many tenants feel that even with their subsidised rents, they are paying a substantial amount for the quality of accommodation. In Britain, considerable expenditure took place during the 2000s to bring social housing to the ‘decent homes standard’. After the improvements, many social landlords report reduced vandalism and anti-social behaviour in the neighbourhood.

How Can Good Behaviour, Maintenance of Property and Participation in the Community and Social Life be Rewarded?

- Community housing organisations act as ‘community anchors’, building partnerships that help sustain neighbourhoods. The sector is locally responsive and locally managed, delivering high quality services from a web of neighbourhood offices.

- The involvement by tenants in running social housing organisations is a good way to increase social and community participation. Tenants who are able to have a direct impact on their landlord’s activities are also more likely to respect and maintain the property they are renting.
3.8 IMPROVING AFFORDABLE AND SOCIAL HOUSING SUPPLY

We agree with many of the recommendations in the 2012 KPMG report for increasing affordable housing supply. In particular we support the increased role of community housing in large estate development PPPs, a new round of stock transfer from public to community housing providers, and working with the banks to improve the availability of private finance.

It is important that a comprehensive approach is taken, encompassing all levers available to State Government: ‘a holistic approach is therefore required that considers the supply-side mechanisms in conjunction with their enabling policies’ (KPMG, 2012, p.5).

Government should note that although large scale social housing PPPs have a role in housing policy, there are a number of limitations that have become apparent from research on their use in other jurisdictions:

- PPPs are complex, highly structured transactions. They can take up to two years to document, and involve high legal and professional costs which need to be met through public funding. Often the development phase can take 5-10 years, therefore Governments will not see quick results (Gilmour et al., 2010).
- PPPs are suited to large, single tenure public housing estates. This is not the typical configuration of Victorian public housing.
- From experience in NSW, one of the limitations of social housing PPPs is the relative lack of capacity within Government. NSW currently has two large PPPs in progress (Bonnyrigg; Airds Bradbury), but may struggle to coordinate any further projects simultaneously.

How Can issues Relating to the Supply of Quality Social Housing be Addressed?

- Social housing organisations in both the public and not-for-profit sectors need to be able to more strategically manage their asset portfolios. To date, Victorian community housing organisations have found it difficult to obtain approval from DHS for such moves, and the public housing stock has been passively managed.
- The above proposals for better utilising social housing assets require help from government. Redeveloping existing housing can often lead to Not in My Backyard (NIMBY) opposition, and State Government needs to show communities and local councils that this is a policy it supports.

Possible options are to:
- Sell social housing stock to market purchasers in areas of low demand, using the proceeds to build properties in where demand is higher. Ideally properties would be sold to existing tenants, liberating an extra property for a family on social housing waiting lists.
- Sub-divide larger existing properties into smaller units. For example, a 4BR home could be converted into three 1BR units.
- Larger 3BR and 4BR stand-alone properties could be demolished, and replaced by 1BR and 2BR units.
- Granny flats could be built onto, or at the back of, existing properties.
- Medium sized pockets of low density social housing, say 20 homes, could be transferred to a community housing organisation. These could be re-developed into medium density social, affordable and market housing schemes. Proceeds from private sales could be used to partially subsidise the development.
• Changes may need to be made in the Victorian planning system. For example, three years ago the NSW Government introduced a State Environmental Planning Policy that supported building granny flats (NSW Government, 2009). In addition, seed funding will be needed for schemes involving greater asset utilisation, as market rate sale proceeds are unlikely to meet the full cost.

How Can the Supply of Social Housing be Made More Sustainable?

• Given the lack of support for new borrowings by Commonwealth or State Governments, the best way to raise funding for new social housing is to move housing assets off balance sheet. This would allow either community housing organisations or PPP special purpose vehicles to raise bank loans which will be repaid from future net rental cashflow surpluses.

• Victorian community housing organisations have an established track record in developing new affordable housing, at scale. Haven has completed a number of major projects. Wattlewood is a good example of our work in partnership with a private developer and using a cross-subsidisation approach.

Large Scale PPP’s: a NSW Example

This $733 million re-development of a Bonnyrigg, a large public housing estate in Sydney’s south west aims, to reduce social disadvantage through creating a mixed, inclusive community. The state housing authority issued an open tender to re-build the public housing, introduce private housing and manage the estate for 30 years.

The successful consortium included a developer, a bank, facilities management company and St George Community Housing - Australia’s largest community housing provider. Over a 14 year period 833 existing poor quality public housing dwellings are being replaced with 2,330 new homes, of which 699 will be social housing managed by St George and the balance sold to home buyers. The project also involves procuring 134 dwellings
**Bold Design for CBD**

Although still under construction, our newest affordable housing property at 46 Chapel Street in Bendigo is expected to make a positive contribution to the inner city streetscape.

Different in scale and character from the rest of the heritage precinct of Bendigo, this multi-level, medium density apartment building marks the boundary between the commercial city centre and the low-scale residential area.

The relationship between the properties along Chapel Street and the residential suburb immediately behind it to the north is diminishing with time, as the commercial heart of the city advances into the suburb.

The design of this project aims to clarify this area by delineating an edge to the city that transitions in scale and use, helping protect the heritage qualities of the city fringe.

The bold form will block the fast and noisy Chapel Street interface with recessive cut-outs stepping down towards the residential neighbours.

The material choices will further accentuate the contrasting form, with a series of light coloured metal panelled boxes highlighted within a dark tilted box. The forms are cantilevered above a face brickwork base reflecting the heritage area.

Other features include:
- 16x1 bedroom apartments
- 7x2 bedroom apartments
- 6-star energy rating
- Tiled and carpeted throughout
- Quality fixtures and window furnishings
- Energy and water saving devices
- Foyer and internal lift
- Security pass access
- Video security cameras
- Balconies and communal roof deck
- Landscaped gardens with canopy trees
• The annual revenue gap in Victorian public housing, identified by KPMG, needs to be addressed. There may be ways for DHS to cut costs, for example by moving to a regional corporatised structure. Staff and overhead costs may also be lower if a greater proportion of social housing was run by community housing organisations. Direct cost comparisons are not possible, due to lack of transparency in DHS reporting, though wage rates in the community sector have traditionally been lower and there are fewer tiers of management.

What are the Appropriate Measures to Increase Leverage to Encourage and Initiate Investment in Community Housing?

• It will be difficult to establish a single leverage measure that is applicable to all community housing organisations in the sector. There are differences between their assets, cashflows, types of tenants assisted, business risk profile and previous borrowing experience. Rather than setting a uniform measure, community housing organisations could establish their own leveraging levels in their annual business plans. Future additional public funding or stock transfers may be restricted to organisations that have a demonstrated track record in leveraging, an approach that works well in NSW.

• State Government need to be aware that leveraging rates are based on two factors over which community housing organisations only have limited control:

- Banks lend against the security of cashflows more than assets. It would be too great a reputational risk to evict social housing tenants; therefore loans need to be repaid from net cash receipts.
- The strength of cashflows will depend on the mix of tenants, and this may be influenced by State housing policy. Allowing a greater proportion of affordable housing tenants will increase cashflows, and hence leveraging possibilities.
- Leveraging ability also depends on macroeconomic performance. In a recession, household incomes will fall and arrears may increase.
- KPMG highlighted the problem that Australian banks are conservative about lending to the community housing sector and social housing PPPs, often requiring relatively high interest rate cover ratios. Banks’ appetite to lend to the sector may change over time, and is largely beyond the control of individual community housing organisations.

• If proscriptive leveraging targets are established, community housing providers might be encouraged to go for volume rather than appropriate housing production. Social housing that is placed independently across neighbourhoods of all socio-economic levels that is of high quality environmentally and well located relative to transport should be encouraged. As with Haven’s new properties, a portion should be supplied that are accessible and adaptable for people with a disability.

What is the Optimum Mix of Housing to Best Meet the Demand and Needs of Tenants?

• With long waiting lists and failure to increase social housing supply, the vast majority of existing Victorian public housing is allocated to tenants with high and complex needs. There are major shortages of affordable rental properties, and only a few new units have been supplied recently through publicly subsidised schemes such as NRAS. Ideally the social housing system should provide a continuum of housing, ranging from deeply subsidised properties rented at a maximum percentage of household income through to affordable rentals at a discount to market rents, and requiring fewer subsidies.

• The benefit in offering a range of housing rental types is that households can progress through the housing continuum, with many able to move out eventually to housing requiring less subsidy, and some moving into the private sector. Also, as shown in the box, community housing providers can take advantage of the extra rents they will receive from affordable renting tenants to leverage bank loans to purchase or develop additional housing units.

• Government should aim to reduce concentrations of social and economic disadvantage by transforming large public housing estates. US research indicates there is a tipping point, and once a particular level of social housing of around 25% has been exceeded then problems will escalate (Galster et al., 2010). NSW has a policy of reducing estates to no more than 30% public housing (NSW Government, 2012).
How Can the Efficiency and Sustainability of the Community Housing Sector be Enhanced?

- Section 1 of this report notes in detail how Victoria’s housing policy settings under the previous Government restricted the growth rate of larger community housing providers. Over time, the state will need to come more in line with jurisdictions such as NSW if maximum benefit is to be gained from Commonwealth funding (CRA and NRAS), and opportunities provided to boost housing supply through bank borrowing.

- Interim changes to the state regulation of Victorian community housing providers may be needed before the move to national regulation in 2013. The existing regulatory structure could start to operate more at arms’ length from government, and be more focussed on outcomes not processes.

With a reduced compliance burden, community housing organisations will have more opportunity to concentrate on delivering new affordable housing.

- Although there is no consensus on the optimum size of community housing organisations, they need to be of a sufficient scale to be able to employ a professional management team. Research from Britain suggests housing associations operate best with around 5000 properties to be able to undertake affordable housing development (CIH, 2007). Further stock transfer in Victoria will deliver organisations who are operating at-scale, and best able to take advantage of the development opportunities identified by KPMG. Other community organisations, operating in a small geographic area or not carrying out development may be economic with smaller property portfolios.

Rent Setting and Leveraging

In 2010 Emilio Ferrer, formerly of Macquarie Bank, undertook modelling on the growth potential of a portfolio of 250 public housing properties transferred to community housing.

On the base case assumptions, involving no NRAS and procuring new properties from the market, the portfolio could generate 27 extra homes over 20 years.

Again, using base case assumptions, 57 extra homes could be generated if 25% of the transferred social housing units moved from social housing to affordable housing rents (i.e. at 75% market rents).

Changing the base case, if NRAS incentives were used, land was provided for free, and development was undertaken by a community housing organisation, 50 extra homes would be generated.

Source: Shelter NSW (2010)
REFERENCES

AIHW (2011) *Housing assistance in Australia*. Canberra: AIHW.


