

Parliamentary Inquiry into Social, Public and Affordable Housing

Parliament of NSW Legislative Council



Submission by SGCH

*Better lives, stronger communities through
affordable quality housing*

The Hon Paul Green
Chairman, Select Committee on Social, Public and Affordable Housing
Parliament House
Macquarie Street
NSW 2000

28 February 2014

Dear Mr Chairman

Inquiry into social, public and affordable housing

On behalf of SGCH (St George Community Housing Limited) I am pleased to contribute to the Parliamentary Inquiry. As one of Australia's largest and most awarded not-for-profit housing providers, we wish to draw on our experience to help Government develop policies that will enable us to work together to create a supply of low cost housing options for those in need.

We have proven that our model of contemporary community housing – encompassing a service for the most vulnerable alongside affordable homes for people on very low to moderate incomes – works. Our experience in service delivery, tenancy management, tenant engagement and community regeneration underpin our recommendations to the NSW Government. We have identified six key areas where we believe that the Government can support the community housing sector to better achieve our mutual objective of providing an affordable home for every NSW resident:

- Addressing the affordability crisis
- NSW planning system reform
- Making social housing sustainable
- Coordinating service delivery
- Rebuilding the housing continuum
- Broadening and targeting the supply of funds

We believe that social housing supply can be increased through optimising current social housing assets and that the planning system should incentivise and not discourage the community housing sector. We believe that housing management should be outsourced on a targeted basis and that the Property Transfer Program recommence.

We want Government to make housing strategy a priority for all Government departments, to ensure an integrated planning and delivery approach. We are calling for the Government to explore alternative approaches to low cost home ownership, such as shared home ownership, as we believe that higher capacity community housing organisations should be freed up to fully leverage finance to bring new money into the sector.

In the words of Minister Goward, “The hallmark of good government is about meeting the needs of the most vulnerable. It is neither practical nor ideal to do this alone.” We are in the business of changing disadvantage, not just managing it, and we believe that adoption of our recommendations will help maximise the potential of the community housing sector to make a difference to those in housing need in NSW.

I would be happy to discuss the recommendations in this paper with you at any stage.

Yours sincerely



Nazha Saad
Chief Executive Officer, SGCH

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1. NSW's housing affordability challenge

Our state faces serious issues with the housing system, which the Government is starting to address through growth centres and planning reform. Similar leadership is needed in reforming social housing delivery, providing more affordable housing and building solid pathways for people who can access private sector rental and home ownership.

1.1. Housing system problems

Significant increases in NSW housing costs over the past decade have affected a growing section of our community including people on moderate incomes who used to be able to provide their own housing without government assistance. The social costs of this situation are high, as are the economic impacts. Our state's productivity could be improved by the provision of affordable housing for key workers in our local and global businesses.

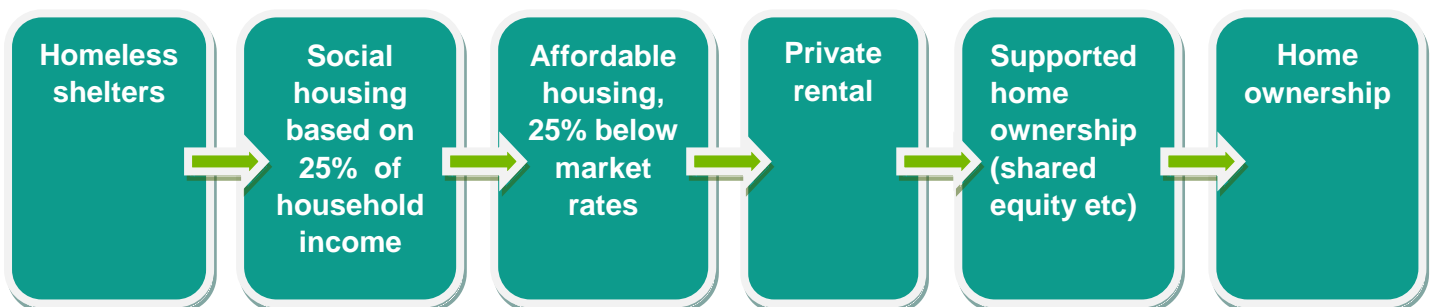
Terms explained

In this submission we use the term 'social housing' to mean accommodation that is deeply subsidised by the Government. Social housing is owned and managed by State Government through Land and Housing Corporation, or not-for-profit community housing providers like SGCH. 'Affordable housing' is a more general term, referring to rented or owned housing where residents pay up to 74.9% of the market rent.

The housing continuum

Previous Governments have sometimes considered social housing in isolation. However, the housing system is inter-connected. Housing options range from heavily subsidised emergency accommodation to social and affordable rental (as provided by SGCH) and private rental and ownership.

A well-functioning housing continuum will have enough homes at all points to meet demand:



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Lillian's story

Lillian is a 78-year-old woman who became homeless as a result of severe family breakdown. For several years she slept rough at Central Station, wandering the streets and showering, eating and using the laundry facilities at various drop-in centres during the day.

Lillian had given up hope of ever having a home again, because accommodation of any sort was simply unaffordable for her, and the shame she felt about her circumstances was so intense that she refused the help offered by the SGCH outreach team who approached her.

But SGCH didn't take no for an answer, and we continued to visit her on a daily basis, slowly building up a relationship with her until she was ready to accept our assistance. Three years ago, we found a new home for Lillian, and we continue to support her to ensure that she never falls through the cracks again.

More importantly, it allows transition between housing options as the need arises. Past policy failures have led to breaks in the continuum. Many social housing residents are in a poverty trap, and cannot move to employment opportunities and private rental as prices are too high and eligibility or rent policies present disincentives. Similarly, many middle income households are remaining in private rental housing in housing stress as they cannot afford to buy. As rental prices rise, many modestly paid key workers are pushed to the edges of our cities.

Housing stress

Very low and low income households are considered to be in housing stress when they have to spend over 30% of their income on housing. A November 2013 Australian Institute of Health and Welfare (AIHW) report confirms NSW has the highest proportion of households in housing stress of any state, at 19.5%. According to the Council of Social Service of New South Wales (NCOSS), it is likely that more than half of low income private tenants are in housing stress.

There is also a shortage of affordable rental properties in the private rental market because rental prices have steadily increased over the last two decades but supply has not increased. In 2012, only 10% of rental stock was available to very low income households and 27% available to low-income households.

The effects of this level of housing stress are apparent in homelessness rates across NSW with 26.8% of the total homeless people in Australia located in this state.

Social housing

The NSW Auditor General's 2013 report found public housing stock is ageing and increasingly not fit for purpose. There is not enough funding available for maintenance and properties are being sold to meet funding shortfalls. The sale of

properties exacerbates the housing shortage in the low to moderate income bracket.

The public housing portfolio faces simultaneous problems of both under-occupancy in some locations, and over-crowding in others. In 2012, there were 112,310 public housing spaces available to tenants in NSW. However, there was a waiting list of 55,186 applicants needing affordable accommodation that the state was not able to provide for. The Housing Register now stands at 60,000 and is continuing to grow.

A growing number of tenants are single people, people with disabilities and the elderly. For example, 43% of SGCH tenants are seniors, and in coming years this percentage will increase. In NSW the Auditor General noted that just under one third of three or more bedroom detached properties are occupied by a couple or single person. Often 'priority housing' applicants have to be placed in larger properties than they need because of a shortage of smaller properties in areas that meet their locational requirement.

The Auditor General also noted that the NSW Government's rental operations are in deficit by \$490m in 2012-13, even after reducing its maintenance expenditure to less than required to maintain asset quality. In the core areas where SGCH operates, the minimum waiting time is over ten years, for all types of properties.

Who can make a difference?

Housing issues are impacted by a variety of organisations and agencies. Most housing supply is delivered by the private sector, though Government policy strongly influences land supply, planning and taxation. Public sector agencies own most and deliver around 80% of social housing in NSW, though they partner with the private sector on new developments and asset management. They also link closely with not-for-profit housing and service delivery partners.

Increasingly it is not-for-profit community housing providers such as SGCH that are key to non-market housing delivery. Due to their ability to work closely with partners in other sectors

High quality landlord services

From regular independent surveys of social housing tenants by AIHW, community housing providers are consistently rated as being better landlords. In 2011-2012, the level of satisfaction with services provided was 84% for NSW community housing, compared to 73% for public housing.

Over the last five years, we have achieved satisfaction ratings in the 80s, rising to 87% for our affordable housing.

These surveys show community housing is popular with both social and affordable housing tenants, as well as being better for the housing system.

Port Jackson

The Port Jackson Supported Housing Program provides transitional housing, linked with support, for people with complex needs who are homeless or at risk of homelessness. It comprises 211 properties in seven Local Government Areas across the inner city, inner west and eastern suburbs of Sydney.

SGCH works with 15 Port Jackson support providers who provide specialist support services. Some of the successful outcomes for our tenants in this program include:

- Improvements in mental and physical health
- Entry into education, training and employment
- Development of independent living skills
- Transition to long term SGCH tenancies in affordable and social housing.

The Program demonstrates how effectively an integrated service approach can deliver good outcomes for people with complex needs who need transitional or long term housing with targeted and tailored support.

and retain surpluses for public good, they are a key way of delivering excellent outcomes for taxpayers, communities and residents.

1.2. Community housing's contribution

Community housing forms an integral part of Australia's housing system by providing housing options that are reasonably priced, secure and responsive to the needs of their neighbourhoods. Unlike larger and centrally controlled public housing agencies such as Department of Family and Community Services, Housing NSW, community housing providers like SGCH are more locally responsive. They work closely with local service agencies and not-for-profit partners, building social cohesion in what were once concentrated areas of social and economic disadvantage.

With the support of the Federal and State governments, there has been a significant increase in the number of properties managed by the community housing sector since the 1980s. There have been two driving factors:

- Community housing tenants are eligible to claim Commonwealth Rental Assistance (CRA) which means the Federal Government provides additional income into the NSW housing system.

- Since the mid-2000s larger and professionally run community housing organisations like SGCH have raised private finance. This provides funds to build new affordable rental housing and the borrowing does not appear on State Government's balance sheet. This finance, combined with its charitable status, means that the community housing sector can provide a greater return on every dollar spent.

Modern housing businesses

Contemporary community housing groups such as SGCH are run by professional managers, and governed by highly skilled boards. Most directors are business people with experience as senior executives in finance, development, risk management and corporate governance. Organisations like SGCH are accountable to the community, to governments and to their tenants for the effectiveness of the service provided and their use of public funds.

NSW led the way with state-based community housing regulation and the design of the National Regulatory System (NRS). Most of the larger NSW housing providers will be registered under NRS by mid-2014. Government can therefore be satisfied that public investment is protected, and the highest business and ethical standards are in place.

In larger cities such as Sydney, community housing organisations like SGCH have become key partners in urban regeneration, and the transformation of troubled public housing estates. They have funded new affordable housing supply, and created mixed-income mixed-tenure neighbourhoods.

Innovative outsourcing

NSW has led the way with outsourcing social housing management to community housing providers. According to a 2013 Australian Housing and Urban Research Institute (AHURI) report, two thirds of all Australian management outsourcing up to 2012 has been to NSW community housing providers.

Recently, several State Governments have embarked on ambitious new outsourcing programs. For example, in 2012 Tasmania initiated a public tender to outsource management of 500 homes to a community housing provider, followed by a further three portfolios of 1,200 homes in 2013.

Social enterprise

A key initiative in the Bonnyrigg project is the 'Green Wings' jobs training and employment program. Green Wings is committed to building a skilled local workforce and is focused on the physical, social and economic renewal of Bonnyrigg.

The team works hard to make Bonnyrigg the best it can be, whilst further developing the participant's skills each day. Originally funded by the Commonwealth, it now operates as a sustainable social enterprise for the local community. Green Wings:

- Increases place-based training for job seekers
- Provides opportunities for casual and part-time work for people in the local community
- Increases opportunities for school based traineeships and work placements
- Contributes to environmental sustainability
- Helps build local businesses

Peter's story

Housing NSW tenant Peter was living in public housing when he secured a job as a waiter – but he faced a dilemma. If he stayed in his job, he would lose his eligibility for social housing. Fortunately, Peter's salary was high enough to make himself eligible for one of our Affordable Housing units in Leumeah, without placing Peter in undue financial stress.

Not everyone is as fortunate as Peter - for many, the choice between housing and employment means that many have to forgo work if they want to keep an affordable roof over their head. The State Government needs to change its policies to encourage people to take up employment opportunities as they are currently have no incentive to do so.

The Government in Queensland is currently reviewing bids for managing 4,850 homes in Logan, and announced in July 2013 that 90% of their public housing would be managed by non-government housing providers by 2020. South Australia has also indicated that it will follow this radical and visionary approach.

Building strong communities

The Australian community housing sector goes beyond just providing housing. Many organisations like SGCH work closely with other not-for-profits and government agencies to help tenants find work, build skills and stabilise their family situation.

Community housing providers act as 'community anchors' in the neighbourhoods in which they operate. Organisations like SGCH already have formal relationships with service providers in the area, and can move quickly to support a tenant in need with a minimum of red tape. The community housing sector is therefore well placed to help address deeply ingrained social and economic challenges in areas with high concentrations of disadvantage.

SGCH's success in community building is particularly noticeable at Bonnyrigg, where our capacity to mobilise local services to meet the often complex needs of our vulnerable tenants has helped us deliver high tenant satisfaction results, a successful rehousing program and a smooth transition from one landlord to another.

Not-for-profit organisations integrate housing with human services more effectively than when housing is delivered direct by the public sector. Service delivery can also be tailored to specific local conditions in FACS districts.

1.3. Section conclusions

State Governments across Australia have come to realise that they cannot continue managing public housing as they have in the past. Well-run community housing providers offer a more cost-effective alternative, delivering great social and economic outcomes.

Beyond landlord services, community housing providers can help Governments achieve real, improved social outcomes for the most vulnerable and disadvantaged people for whom being at the lower end of the housing continuum is just one of their challenges. Providers can help people progress along the housing continuum into affordable rental housing - releasing valuable social housing for people in greater need.

SGCH capability statement

SGCH has the required mix of diverse skills, experience and knowledge aligned with a strong values-based culture that enables high performance. Our people are passionate and highly engaged, and organised to deliver services that are streamlined and tailored to meet the varied and often complex needs of our tenants. We have a number of specialist teams and roles, which include:

- Development and Construction, who are tasked with increasing our development capability and delivering key projects designed to increase our Affordable Housing portfolio
- A Sustainable Tenancies team, which comprises specially trained staff whose early intervention remit means that they work with tenants to identify potential issues and provide solutions before they affect tenants' health, well-being or tenancy
- Internal Audit and Risk Management, who identifies and assesses processes and risks throughout SGCH
- A five-strong IT, Software and Reporting team

2. SGCH: social enterprise in action

SGCH has grown to become the largest not-for-profit tenancy manager in Australia. Our size enables us to achieve greater economies of scale so we can deliver a high quality service and better outcomes for tenants. We consistently partner with Government, the private sector and not-for-profit organisations, especially on large estate renewal and deconcentrating areas with social and economic disadvantage.

2.1. Our story

SGCH is a registered NSW Class 1 community housing provider established nearly thirty years ago. We operate across the broad sweep of western, southern and central Sydney - one of the world's least affordable housing markets.

With over 4,300 properties under management, 8,500 tenants and 112 staff, SGCH is the country's largest not-for-profit housing provider. Operating at a larger scale than most community housing providers allows us to achieve economies and efficiencies in housing delivery, and employ specialised and professional staff who can provide strategic leadership.

Our four strategic priority areas - responsiveness, excellence, innovation and leadership - drive all that we do. Our focus is on delivering social and economic outcomes through establishing effective

business and commercial practices. The SGCH mission is to deliver 'better lives, stronger communities through affordable, quality housing'.

Our experience as a leading Australian community housing provider means that we know what works and we know what doesn't work. It is this experience that informs our recommendations to Government in this submission.

2.2. Building stable communities

Due to our scale and experience in the Bonnyrigg project over the past seven years, SGCH has developed capability in 'value add' areas such as place-making, community development, social procurement, and social enterprise.

Our approach is underpinned by our Community Regeneration Framework, which was developed with stakeholder and tenant input. This award-winning Framework is embedded in all aspects of our business including property, asset and tenancy management. Our 'four pillars' represent leading practice, nationally and internationally.

Through involvement on multiple projects at multiple sites and with multiple partners including government, local community and private partners, SGCH has developed an integrated community renewal approach that has gained us a reputation for expert delivery of place-making incorporating tenant engagement and community development.

SGCH's work in communities has been recognised through a series of awards, including the 2013 Powerhousing Awards for Excellence for Place Making and for Tenant Engagement, which focused our Creating Sustainable Communities framework.

Bonnyrigg outcomes

Before the redevelopment of Bonnyrigg, the estate was known for its high levels of crime and anti-social behaviour, while the local school was threatened with closure due to poor results and a lack of registrations from new pupils.

The redevelopment of the estate and the project's focus on place-making has encouraged residents to take pride in their homes, and are increasingly looking out for their neighbours and others in the local community. As a result, crime levels have dropped, the local school is now so popular that it has become selective, and tenants are reporting extremely high levels of satisfaction (83% in the 2013 independent survey run by Sweeney Research).

The first three stages of the project have been completed, creating 363 new homes and a mixed tenure community in which private and social tenants live side by side. The properties have been purposefully designed to look almost identical on the outside, so that it is impossible to differentiate between the private and social housing, which has helped contribute to the successful integration of the estate.

Neighbourhood planning: SGCH's 'four pillars'

Under our Community Regeneration Framework, we have established and are implementing across five sites a Neighbourhood Planning Tool, based on best practice overseas. The tool is structured around the four key SGCH 'outcome pillars':

- **Facilitating economic independence:** improving resident's financial independence by alleviating housing stress and providing 'Housing Plus' services;
- **Education and skills development:** improving school performance, retention and completion of studies and thus employment prospects through initiatives such as grants and bursaries to projects, groups and individuals;
- **Improved health and wellbeing:** improving mental and physical well-being by providing and procuring support services; and
- **Facilitating community inclusion:** by empowering tenants and supporting communities to become self-reliant and independent.

The tool incorporates indicators that aim to measure tenancy, property, community, financial and overall wellbeing. Data will be analysed and used as part of SGCH's Social Impact measures to identify needs, trends, aspirations and data to inform our strategic direction, service delivery and plans.

Integrated total asset management and tenant management

SGCH takes a sensitive and strategic approach to addressing affordability to achieve social inclusion by adopting a whole of portfolio approach. This means that we plan and use our properties effectively to meet the ever changing needs of our tenants through their circumstances and as they move through the life stages.

We do this through a Total Asset Management Framework which underpins our long term portfolio and asset planning, and ensures that our tenants' needs, both now and in the future, are at the heart of what we do. This flexibility enables us to move people through the housing continuum as their circumstances change and support them to achieve their aspirations.

Tenant engagement

SGCH believes that involving tenants in the organisation brings benefits to our organisation, to the local community and to the tenants themselves. We have well established and award-winning tenancy engagement strategies that are central to the success of our place making approaches. Examples include:

- Our 'Your Home, Your Voice' consultation which is a grassroots initiative encouraging people to engage with their communities by having a say about what is important to them and how they would like to get involved.
- The SGCH Tenant Advisory Group is a collaboration between more than 300 tenants

who provide the organisation with valuable input into policy and service delivery.

- Stakeholder surveys and partner forums that provide an insight into SGCH services and allow us to further build these important community networks.
- We have a dedicated team of members of staff with expertise in connecting communities, place making and tenant engagement, including in disadvantaged areas.

2.3. Transforming social housing estates

There are over 100 large housing estates in NSW with over 100 social housing properties, and many have become centres of disadvantage. Transport can be poor, local jobs in short supply and many families suffer from family breakdown or a lack of role models.

As Minister Goward recently discussed on the '7.30 Reports' TV program, large scale investment in social housing has often not led to stable communities and opportunities for residents.

We share NSW Government's desire to enhance the life of these communities, and have been partnering to rebuild estates for well over a decade. Our largest involvement has been the Bonnyrigg 'Living Communities' urban renewal project which is revitalising 81 hectares of housing estate in western Sydney.

The renewal has involved the transfer of 833 public housing tenancies to SGCH and the redevelopment of the site over 18 stages to create a social mix of 70:30

Housing Plus services

At SGCH we believe that providing secure, affordable housing is the first step in helping those in need to rebuild their lives. But we believe that it's just as important to provide our tenants with links to education and training, employment opportunities and financial assistance, and we have developed a number of products and services designed to achieve this.

Each year we provide a number of our tenants with a financial bursary which they can put towards the cost of educating themselves. Some of our bursary recipients use the grant to pay for textbooks while others buy computing software or pay tuition fees. What each of our recipients has in common is the opportunity that the Bursary grant provides, and the doors that it opens for them – and that is truly invaluable.

Since the scheme started in 2005 – the first of its kind in the industry – we have awarded 617 bursaries and scholarships worth nearly \$520,000. SGCH tenant and bursary recipient Hassan Mrad, from Allawah, is studying Aviation Management at the University of NSW. He said, "Without the bursary and encouragement from SGCH most people would not be encouraged to pursue their education, I am grateful to be a recipient of the scheme as it has helped me get closer to my goals in life."

Estate renewal: our work at Riverwood

In January 2014, SGCH completed the handover from Housing NSW of 123 brand new social housing apartments at the Washington Park site in Riverwood North. SGCH won the tender for these properties in 2009, and since then has been actively involved with Payce Communities and Housing NSW in the concept design and community engagement aspects of this renewal site.

The Washington Park renewal project is a mix of private homes and 150 social housing units specifically for seniors. When fully completed, there will be up to 600 modern, architecturally designed, energy efficient homes.

The new social housing is part of our broader community regeneration strategy with our partners, where we are working on a number of complementary products that will improve customer service for tenants, deliver sustainable initiatives to reduce the cost of living, and position SGCH as a leader in best practice place management.

At Washington Park, we are working with our partners on a number of key initiatives including:

- A longitudinal research project in partnership with the University of New South Wales, Payce and NSW Land and Housing Corporation. The study will enable us to measure the impact of the renewal process and residents' views about their experience and benefits to them and the community.
- The establishment of a SGCH outreach customer centre to provide onsite tenancy, property and community renewal services for our 450 tenants in the Riverwood and surrounding area
- The establishment of an onsite community room to enable tenant activities to be held onsite. Tenants will be consulted to design the space and plan tenant-led activities.
- The development of sustainability initiatives such as the launch of the Washington Park Community Garden Club.

private to social. The project's success depends on making mixed tenure living work for all residents. The project is fundamentally about the people, the place and the partnerships. Staff delivering community regeneration, property and tenancy management, and rehousing are co-located on site, so they are accessible and can be responsive to the community and make integrated decisions quickly.

In less structured schemes such as the Riverwood North "Washington Park" renewal project, we are again driving excellent tenant and community outcomes through encouraging seniors to engage with their local community and take part in on-site activities, facilitating access to services, and intervening at any early stage if we identify potential problems. Our approach at Riverwood is centred on our "ageing in place" principles that are integrated with community renewal. We believe that our experience in projects such as this offer a template for more sustainable future delivery models for the sector as a whole.

2.4. Increasing housing supply and quality

We have an excellent track record in delivering new affordable homes, working to increase housing supply and offering opportunities for people to move along the housing continuum.

quality housing

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New supply: SGCH in Western Sydney

SGCH acquired a site near Parramatta CBD in May 2013. It is located in an area with strong demand for affordable housing and offers good links to employment and public transport.

The concept design includes developing around 72 residential apartments, of which around 25 are to be sold privately. The \$27 million project will deliver mainly one and two bedroom properties, a built form in high demand.

The project demonstrates SGCH's skills at raising private finance, and coordinating complex project management and development activities. The scheme will meet an identified need for affordable housing, and produced a mixed-income, mixed-tenure neighbourhood.

Our capacity is shown through sustainably managing long-term housing portfolio growth by delivering and tenanted 1,281 Nation Building properties to tenants with complex needs. As part of the agreement, we are also delivering new affordable housing properties. SGCH supports further property transfers in the future so that continuing leverage will be possible.

We have also been working to increase our capacity in Affordable Housing, to relieve housing stress for people on low to moderate incomes. We are currently working on a project near Parramatta that will increase affordable housing supply in western and south-west Sydney.

SGCH also has a track record in providing housing for people with complex needs. Under the Young People in Residential Aged Care (YPIRAC) program, a joint initiative of the Commonwealth and NSW Governments, SGCH received funding to build two group home facilities for young people with disabilities who would otherwise be living in nursing homes. The first site, located in Caringbah, provides accommodation for up to ten residents, and was completed in July 2013. The second site in Guildford was completed in early 2014.

2.5. Section conclusions

SGCH is a leading example of a number of larger community housing providers that have been transformed over the last decade. We partner with Government, the private sector and other not-for-profits to deliver sustainable tenancies and build communities, and help address gaps on the housing continuum.



Our ‘four pillars’ of community regeneration closely aligns with Minister Goward’s approach. Through collaborative working, community housing organisations such as SGCH can be a main support for the cost-effective transformation of social housing and continue to assist in addressing the shortfalls in housing supply.

Our experiences have allowed us to fine-tune effective methods of service delivery, tenant engagement and community regeneration, which underpin our recommendations to Government.



3. Our recommendations

We have focussed our recommendations to this wide-ranging Parliamentary Inquiry around six core areas. The proposed changes are relatively straightforward, and build on best practice examples in NSW, inter-state and overseas, including our own experience. Many of the approaches can best be pursued through Government making greater use of not-for-profit housing providers such as SGCH, and through a strategically designed approach to cross-sectoral partnerships.

3.1. Addressing the affordability crisis

The shortage of affordable housing has a profound social and economic impact in NSW, so we must work in partnership to increase the supply of affordable homes. It is important that a holistic approach is taken, encompassing all levers available to State Government and which considers the supply-side mechanisms in conjunction with their enabling policies.

Social housing supply

Social housing organisations in both the Government and not-for-profit sectors need to be able to undertake integrated cross sector planning and develop strategic asset and portfolio planning that delivers most effective and sustainable outcomes. To date, NSW community housing organisations have come up against obstacles when seeking to obtain approval from Government for such moves, and the public housing stock has been managed through reactive policy approaches which aren't forward-thinking. This has resulted in asset maintenance liability, properties that are not 'fit for purpose' nor planned and delivered in areas of high and changing need. Possible options include:

Greater engagement with local councils

Currently there is a lack of understanding in local councils about affordable housing, which means that many councils are either reluctant to approve affordable housing developments, or impose restrictions that make the developments difficult for community housing providers to deliver. There is a dearth of knowledge about the value the community housing sector can bring to affordable housing developments.

We recommend the current planning reform changes are tailored so that affordable housing projects are encouraged, for example allowing smaller properties and secondary dwellings.

Bass Hill proposal

In 2013, SGCH approached the State Government with an unsolicited proposal to work together to redevelop some of their ageing assets in Bass Hill and accelerate the delivery of new affordable and social housing at no cost to Government.

SGCH had identified residential property owned by Government which adjoined its own recently vested property. The proposal suggested amalgamating these lots and redeveloping the site to provide 20 new residential units for use as social and affordable housing. Government later rejected the idea.

SGCH believes that State Government should be encouraging similar proposals, as community housing providers such as SGCH have the unique ability to deliver on these projects using their scale and infrastructure, and can help Government optimise the assets that they own and unlock the value in order to deliver more affordable housing.

In addition, greater awareness of affordability issues needs to be conveyed to councils by the Department of Planning and Infrastructure.

Optimise housing assets so they better meet tenants' needs

Currently there is much under-occupancy in the housing stock, and the stock is aged. Optimisation of the asset would improve occupancy and amenity. For example, a four bedroom home which is under-occupied could be converted into three one bedroom units. This would help address a critical problem in a number of areas where there is an over-supply of larger properties and an under-supply of smaller properties.

Transformations of this type would result in a net increase in the overall social housing portfolio, and at a moderate cost.

Larger three and four bedroom stand-alone properties could be demolished, and replaced by several one and two bedroom units.

One of the main assets of State Government is the social housing portfolio. With many properties from the 1960s and 1970s built on larger lots, there is an opportunity to increase residential densities by redeveloping them.

Medium-sized pockets of low density social housing, say 20 homes, could be transferred to a community housing organisation. These could be redeveloped into medium density social, affordable and market housing schemes. Proceeds from private sales could be used to subsidise the development. It is also an opportunity to introduce shared homeownership and help deliver on the housing continuum.

Building new smaller properties in a neighbourhood would allow households who currently under-occupy their property, or who currently require a modified or adaptable property due to mobility issues, to move to more suitable accommodation without breaking their ties with their community. Hence the

proposal both addresses under-supply of social housing, reduces under-occupancy and will enable the growing ageing population to “age in place”.

Better utilisation of land

For approximately \$100,000 a one or two bedroom “granny flat” can be built on an existing social housing plot without the need for demolition or redevelopment. The new properties would provide smaller, more in-demand properties which will help meet the growing need of single person households.

Several local councils are supportive of this approach as it can modestly increase the density of neighbourhoods without losing the traditional streetscape pattern. In addition, where community housing providers own social housing sites that neighbour private or public housing sites, we need to be given the freedom to redevelop these sites to increase overall affordable housing supply in the area.

The above suggestions are based around a more strategic and commercially minded approach to managing the NSW Government’s social housing portfolio and redeveloping properties that are past their economic life. Significant change can be achieved through partnering and with modest public investment. Although some projects could be delivered by Government, often their scale is modest and they would be best suited for delivery by community housing providers.

Affordable housing supply

NSW community housing organisations such as SGCH have an established track record in delivering new affordable housing, at scale. These projects often involve raising private finance, harnessing external grants (such as NRAS) and partnering with private sector developers who have economies of scale in housing production.

While the majority of affordable housing supply will be undertaken by private developers, especially for home ownership, several strategic schemes benefit from the involvement of a community housing provider. Not-for-profit organisations such as SGCH enjoy tax benefits and do not pay dividends to shareholders, which means that more funds are retained for delivery of more affordable housing. This is important where taxpayer dollars are invested, for example in projects to de-concentrate social housing estates.

Our commercial business model separates community housing from many other not-for-profit industries while our focus on social outcomes and community separates us from private developers. We plan, design and deliver affordable housing that we will retain a long term

interest in, unlike developers who build and sell immediately. Our model is about quality housing with design-out maintenance principles applied, as our developments need to be financially viable and sustainable for the long term. This makes community housing providers the perfect conduit between Government and the private sector, and the ideal choice to deliver these proposals. This has also been the model adopted 20 and 30 years ago in many European countries, notably the UK, which has delivered significant growth and access to affordable housing.

Community housing providers can also be useful partners for Government in strategic projects requiring a mix of housing tenures, and the retention of longer term affordable rental housing. We can work effectively with the Department of Planning and Infrastructure, and agencies such as Urban Growth NSW, in delivering both brownfield regeneration projects and new greenfield developments.

Because community housing providers are driven by purpose, not profit, they can afford to invest in affordable housing solutions that deliver a triple bottom line. SGCH, for example, has a track record in delivering new affordable housing in locations where it is most needed rather than the most profitable to develop.

3.2. NSW planning system reform

SGCH's role as a Class 1 Growth provider is commensurate with the objectives of the NSW planning legislation as well as the draft Planning Act which is currently before Parliament. However the planning system fails to recognise the role played by the community housing sector in achieving its own objectives and seeks to impose counterproductive restrictions in an adversarial system better geared toward controlling private development.

Strategic planning at a State level must consider affordable housing

Consideration of housing affordability as an overarching principle should be a mandatory strategic planning consideration during plan-making. We support this being done at the regional or sub-regional level. The local and State plan-making process provides an opportunity to set realistic targets and provide meaningful affordable housing outcomes to more than a few households. Public authority consultation provisions during plan-making should also include genuine input and consultations with Class 1 community housing providers who are actively involved in increasing housing supply in the local area.

We would also like to see the new planning system distinguish the community housing sector's affordable housing provision from other developers who develop affordable housing

under SEPP (Affordable Rental Housing) 2009 provided on a temporary 10 year basis. When the community housing sector develops affordable housing there is no expiry date and the dwellings become part of a long-term property portfolio which increases in size over time.

Social and affordable housing are infrastructure

Public assets and facilities which are integral to the operation of a healthy community are treated as infrastructure under the planning system and levies for such items are subject to nexus requirements. Affordable housing should be similarly treated, because every community needs a workforce of key workers to function well, and this workforce must be housed. Affordable rental housing is considered a determinant of healthy economic growth and forms part of the stock of assets needed to promote the social and economic welfare of the community.

For the reasons stated above, affordable housing must be treated as infrastructure for planning purposes. While local governments are not required to develop such housing themselves, they are expected to create a climate that results in ‘the provision and maintenance of affordable housing’ by the non-government sector.

In addition, affordable housing portfolios resemble infrastructure asset classes in terms of the annuity type returns and long term asset ownership requirements. When SGCH develops affordable housing, we hold the dwellings for significant periods of time and we become an integral and beneficial part of the community.

Levying developer contributions from community housing providers is counterproductive

Affordable rental housing undertaken by registered community housing providers is an item of infrastructure

Voluntary Planning Agreements

SGCH was asked to enter into competitive pricing with other community housing providers for affordable housing dwellings which were a developer contribution in exchange for increased floor space density on the developer’s land.

If followed through, the exhibited scheme would result in the community housing sector bidding up the price of the developer contribution using funds which would have been spent on affordable housing provision elsewhere.

This approach was supported by the local Council regardless of the net impact at the metropolitan level because it would secure affordable housing for their local government area. While an offer to purchase residential floor space at a percentage of market value is attractive to any good asset manager, it cannot be supported in planning terms if it erodes the public good or benefit and results in perverse planning outcomes.

and should not be levied against for other forms of infrastructure. It is counterproductive to levy funds against affordable housing developments to provide for open space and roads; particularly when affordable housing is so difficult to provide and is in very short supply. It decreases the likelihood that such developments will be financially feasible and is counterproductive to the objectives of the old and new planning legislation. There is no evidence to suggest that exempting development by community housing providers would jeopardise the provision of any infrastructure such as roads and open spaces. Currently few local developer contribution plans offer exemptions for affordable housing undertaken by community housing providers.

Planning legislation must provide for levying mechanisms including inclusionary zoning

Our reading of the recent NSW Government Planning White paper and draft legislation is that voluntary planning agreements will be the only planning mechanism to obtain affordable housing contributions. We do not see how meaningful affordable housing targets can be set at the sub-regional level if contributions are voluntary.

SGCH supports the ability of private developers to make voluntary affordable housing contributions in exchange for planning incentives such as increases in density or height. However, our recent involvement in such ventures highlights their problematic nature. It indicates that what are mostly density bonus schemes are often seen by the community as undermining existing local planning controls and permitting development above set environmental limits. The process is not always seen as transparent as it results in development that exceeds the bounds of existing planning instruments. In addition, these schemes cannot be made mandatory and no guarantee exists that any developer will take part in taking up incentives meaning that affordable housing targets cannot be set for any region or location.

To this end the new planning system should permit affordable housing levies under inclusionary zoning mechanisms. Communities, whether at the State, sub-regional or local levels, should be empowered by the new system to make decisions about their infrastructure needs and requirements. It is a failing of the proposed system which excludes this possibility with regard to affordable housing contributions. Placing this ability in the hands of private developers who may volunteer contributions under voluntary planning agreements in return for incentives such as increased density or height limit is entirely inadequate.

Inclusionary zoning which requires a fixed affordable housing levy is preferable as it is:

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- Mandatory - allowing decision makers to achieve set targets,
 - Transparent - allows developers to factor it into their project feasibility, and
 - Orderly - development is not encouraged to exceed limits set by planning instruments.

The City of Sydney's affordable housing levy program in Green Square was locked in at the Local Environmental Plan making stage when the area was 'up-zoned' from industrial to residential land uses. It has resulted in more than 100 affordable rental housing units built and managed by the community housing sector. The program target is 330 affordable rental housing units in this area. A similar program in Ultimo and Pyrmont resulted in over 400 similar dwellings and the program target is 600 apartments. These schemes will be 'grandfathered' under the new planning system and State Government has indicated that there will be no new schemes. This is despite a 2012 review of international best practice in planning law for the NSW Department of Planning pointing out that, "Studies have concluded that inclusionary zoning has a positive effect on the delivery of affordable housing and does not impede development."

3.3. Making social housing sustainable

It is unlikely that social housing can grow to meet the demand. As noted in the NSW Auditor General's 2013 report: "It is crunch time for public housing in New South Wales. The government must make difficult decisions about public housing priorities."

Public housing's role

Housing NSW is one of the largest social landlords in the world - larger than any in North America or Europe. This makes reform challenging. The SGCH vision is to have a fully functioning social housing system, with community housing providing an increasing but not dominant role. Changing social housing landlords does not in itself make a difference - it needs to be accompanied by greater reforms.

For the core NSW social housing portfolio, we recommend considering:

- Breaking down the portfolio into manageable segments, potentially based on NSW Health and FACS districts. This may make housing delivery more responsive to local needs and housing market conditions, and will facilitate integrated planning and service delivery to those who need it.

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- Delivering more tenancy and asset management, and strategic asset ownership, to established community housing providers
 - Redesigning public housing eligibility and rent setting policies to better address social housing need across the housing continuum. Settings may need to be altered between metropolitan and regional locations due to very different market conditions.

Targeting the role of community housing

Organisations such as SGCH work hard to help achieve Government policy objectives. Their capacity has been built over a number of years, and the larger NSW providers now function as effective social enterprises. Community housing providers are more transparent and can demonstrate greater accountability (through regulation) than the State Housing Authority, have a lower cost base, and can access private finance.

Class 1 community housing providers have the scale and infrastructure to deliver government projects effectively. In addition, the greater efficiencies achieved through economies of scale mean that larger providers can increase the surplus to be reinvested back into the community housing sector. New partnership and development opportunities should be directed to larger groups such as SGCH, and efforts made to rationalise the smaller organisations in the sector which do not operate at critical mass, and spend a higher ratio of their income on organisational infrastructure, rather than on services and housing delivery.

SGCH recommends that the Government:

Fast-track an Industry Capability Strategy

We recommend NSW Government develops a new direction for NSW community housing providers, in partnership with the community housing and private sectors. The Industry Capability Strategy, in preparation by NSW Federation, needs to be advanced rapidly, with detailed input from expert practitioners in the sector and the wider industry.

Revisit the targets set by COAG in 2009

COAG recognised the need for State Governments to develop the community housing sector, and in 2009 it set the target of transferring 35% of public housing to community housing providers. The anticipated growth in the community housing sector has already occurred across jurisdictions, and there are many case studies which provide tangible evidence of the benefits and outcomes that the sector can deliver with increased scale.

To continue to build on this growth Government needs to revisit COAG's previous target and commit to new growth targets which will address the current imbalance of ratios of public and community managed or owned housing.

Plan to make the best use of NSW funded capacity for the benefit of NSW residents

While there can be benefits in organisations seeking opportunities out-of-state, SGCH is committed to staying in NSW and we believe that procedures should be set in place to ring fence income from our State's social housing assets.

Outsource housing management and the Property Transfer Program

For several years NSW community housing providers have been calling for further asset transfers. SGCH's experience has been that asset transfers are particularly useful when community housing providers can bring their financing and leveraging ability and development and place-making expertise.

The sector also requires further outsourcing of management responsibilities. This will provide stronger cashflows, through Commonwealth Rent Assistance, with funds used to leverage debt, make much-needed property repairs and develop new social and affordable housing.

Management outsourcing is progressing in a number of states and territories, most notably in Queensland where the Government has committed to transfer 90% of public housing to the non-Government sector by 2020. Tasmania will have achieved a 37% transfer by the end of 2014. All Governments are now reviewing this option, and we suggest NSW Government do likewise.

Management outsourcing has the potential to move social housing from its current unsustainable financial position. However, it needs careful design by Government, and we suggest needs to be approached through a number of well evaluated trial projects. In NSW the ideal approach would be to target outsourcing to some of

Maintenance liabilities

Under the Property Transfer Program (PTP), SGCH received a number of properties in the inner city and eastern suburbs. When these properties were handed over to SGCH, many required backlog asset maintenance, meaning that SGCH would have had to spend approximately \$170,000 in order to bring them up to the requisite standard.

In order for the PTP to be sustainable in the future, community housing providers will require government subsidies to bring the properties up to standard prior to transfer, or be given the opportunity to redevelop the properties to provide new, high quality affordable housing.

the large estates, and involve private sector partners in partnership with higher capacity community housing providers.

Having understood both the opportunities and pitfalls of complex, structured schemes such as the Bonnyrigg PPP, the NSW Government and SGCH hold a strong evidence-based position to develop a more streamlined approach in future. Contemporary management outsourcing projects across Australia are very different to earlier PPP models developed in NSW.

We need Government to reinstate the Property Transfer Program. There is currently a great deal of uncertainty around the program being frozen as it limits our capacity to do whole of site place-making or budget for future maintenance and tenancy management costs. The current status of the PTP also holds tenants in abeyance – this includes Housing NSW tenants who now wish to transfer to the nominated community housing provider, but cannot.

If the Program is resumed, Government needs to make a policy decision to make it mandatory that tenants living at identified sites transfer to the community housing provider who will be assuming tenancy management responsibilities. This will ensure that locations are managed by a single landlord, allowing them to benefit from greater economies of scale, and preventing a mixed management approach which is inefficient and limits the ability to build community cohesion. The mixed management approach also increases Work Health and Safety risks.

The reliable income stream from the Property Transfer Program helps SGCH to plan, but government subsidy is needed to upgrade properties to the required standard, particularly given that most sites being transferred are older assets.

Business model for sustainability

The community housing sector's continued growth and business sustainability would be enhanced if there was less rigidity on delivering market-based housing. A diverse business model of social, affordable and market housing would deliver greater benefits to the community and the sector can deliver and manage each of these tenures for less than private real estate agents.

3.4. Coordinating service delivery

NSW residents on very low and low incomes may sometimes need both housing and support. Many of the issues Government face are not just of housing - or housing supply - but the need to integrate and coordinate across a number of human service systems.

While the administrative joining of housing and support within the Department of Families and Community Services (FACS) is a great step forward, more work is needed to reduce the silo thinking of many in the public sector. Silo mentality is also an issue in the broader social service sector. Homelessness, disability service, community housing and aged care not-for-profit organisations need to keep pace with the move to coordinate within Government.

The State Plan should include cross agency accountabilities of all relevant agencies to plan for and deliver strategies that directly impact on infrastructure, housing supply, and housing assistance or support. This whole of government approach is vital in building a responsive and integrated housing system for the future.

Coordination of effort

Government must ensure that housing strategy is part of the agenda for all Government Departments. Here is a client example based on ABS data, which highlights why:

- The current Newstart allowance for a single adult is \$250.50.

Sustainable Tenancies team

The Sustainable Tenancies team demonstrates SGCH's innovative thinking and client-focused approach. The team's focus is the early intervention and prevention of potential issues through linking tenants to relevant support providers who can help them to sustain their tenancies.

We are the only community housing provider in Australia to use a Vulnerability Assessment Tool - modelled on the Vulnerability Index, which is used to identify risk factors for homeless people - which we have developed to determine the level of risk and vulnerability associated with an individual tenant or household.

The Tool enables our tenancy specialists to undertake an assessment of a tenant's situation using 18 unique identifiers. Through the Tool, our Tenancy Specialists can develop a thorough understanding of the support links that would be most beneficial to the tenant in question, which allows us to both connect tenants with appropriate support and to foster new relationships with support partners who may be useful for tenants experiencing similar problems in the future.

The tool also allows us to collect data which we can use to predict the issues that might arise for tenants who fit a particular profile, enabling us to take a proactive approach to tenant care and prevent minor problems from escalating to the point where they could affect an individual's tenancy.

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- The average Australian will spend approximately \$267 a week on necessary goods and services, such as domestic fuel, medication and transport.
 - The average weekly rent for a one-bedroom Sydney property is \$380.

Paul's story

Paul was working as a nurse when he had a fall at work, breaking his wrist and hip. Following extensive surgery, Paul was signed off work. As his Disability Allowance was his only source of income, he could no longer afford private rental accommodation and his doctor suggested that he apply for social housing.

At first Paul was unconvinced, believing that social housing would mean living in a small, poor quality unit. However, we found Paul a ground floor unit on our Riverwood estate, and he regularly comments on how much he loves his new home, engaging with his neighbours and being outside in the communal garden.

The numbers simply do not add up. When the State Government makes any decision - be it about benefits, employment or education - it needs to consider the impact that decision will have on those in greatest social and economic need. There needs to be cohesion and impact analysis of Commonwealth and State Government policies, given the jurisdictions of both. Integrating the overall social policy of the NSW government with the specifics of its aims for housing affordability, both socially and economically, makes sense. We need to consider how one piece of the jigsaw affects another.

Government cannot solve this issue alone. And nor can one Government department or function adequately address multiple and complex needs. At SGCH, we have taken a lead in coordinating our approach through our 'four pillars' approach that promotes economic independence, skills development, improved health and wellbeing and increasing community inclusion.

What is required

Preventing a siloed approach has to be tackled if the issue of housing is to have a coordinated response. The provision of social and affordable housing is not simply a housing issue. If a family is made homeless, the family's health, employment and education will be affected, while there is likely to be connected issues with domestic violence, domestic violence and drug addiction. All of this is a drain on the wealth of the State.

Conversely, if you can provide people with secure, affordable housing near to public transport and other facilities and amenities, in addition to educational and financial opportunities, people can take control of their lives and start contributing to society as full and active members of the community.

The growth in the supply of affordable housing, which we are asking for, must tie-in with an efficient approach to service delivery, which sees dollars maximised. This requires the leadership, drive and cooperation of Government departments as well as a growing and vibrant community housing sector to assist in delivering better results for the people of NSW.

Working in partnership, in a focussed way, will deliver greater return for the investment of taxpayer dollars. It will also deliver real improved outcomes for tenants in their employability, their ability to exercise choices and even their aspirations to home ownership.

Place-based approaches to local service delivery

A place-based approach is becoming more common in Australia and is a markedly different way of considering the needs of residents and service users. It is often more efficient as services are delivered at the most effective point to meet the needs of individuals in the community, some of which are complex (e.g. housing and income and employment and health related issues in areas of concentrated disadvantage). Place-based working has the potential to reduce waste and deliver greater value. A key benefit would be breaking down multi-generational disadvantage.

The NSW Government's approach of aligning Health and FACS districts is a great way forward, and long overdue. The next step is to review how services can be delivered in a coordinated way in each district, and for this to be effective and sustainable the community housing sector and organisations such as SGCH need to be involved in area planning at an early stage and not after a plan has been formulated.

Currently there are few mechanisms that facilitate cooperation at the district level. We believe new delivery structures are needed, co-location of offices, and the establishment of coordination bodies that span the public, not-for-profit and in some cases the private sector.

YFutures

SGCH recently partnered with peak homelessness body YFoundations to deliver YFutures, a youth mentoring and work readiness project which was funded by the Australian Government Department of Human Services under the Better Futures, Local Solutions Initiative.

The 12 month project aimed to reduce youth homelessness by giving at-risk young people the chance to work with mentors to further their education and help them find employment. Thirty-six young people and 39 mentors took part in the program, as a result of which, at least 25 young people are now working, while others are planning on attending university and TAFE in 2014. We are currently preparing an evaluation report for the project, as well as a refined model for other organisations to adopt.

NRAS

In 2013, we negotiated a head lease for a 32 unit complex in Ultimo. To make it financially viable for us, we secured a commercial agreement with a socially conscious developer, while the scale of the complex allowed us greater economies of scale in our tenancy management, and we were also able to apply NRAS to each of the units.

However, the low income eligibility bracket and the high rental prices (even with the NRAS discounts) mean that we can only target a narrow section of the population. Those on low incomes can only live in Affordable Housing if they earn less than \$45,000 a year – which leads to more housing stress if they choose to live in the inner city close to the jobs.

We want NRAS to continue, as projects such as our Ultimo complex would be unsustainable without it. However, NRAS income eligibility is not suitable for properties in high market areas where for eligible persons paying 74.9% of market rent this may still be over 45 to 50% of their gross household income. As a result, for NRAS to work effectively in its current form, community housing providers must focus on providing Affordable Housing in areas with lower rental prices, but these often aren't as close to employment opportunities, public transport and local amenities. The NRAS scheme should therefore be amended in recognition of the fact that a 'one size fits all' policy is not appropriate given the huge variance in market rents across Sydney.

A further issue is the upper income eligibility is very strict on application. However, once someone becomes an Affordable Housing tenant, their income can increase significantly in that year (up to \$56,043) and they will remain eligible. This flexibility in the criteria band needs to be included in the allocation process in order to allow more people access to Affordable Housing products.

Community housing providers can be key in helping Government deliver a more regionalised approach, tailored to the needs of particular areas. They already work in NSW to support integrated service delivery and meeting people's needs where they live. SGCH, for example, is a community anchor in the districts where we work - well connected with local councils, welfare agencies and Government departments. Community housing providers can therefore provide the backbone of coordinated service delivery at the district level.

3.5. Re-building the housing continuum

The housing continuum in NSW is not working. Few opportunities exist for individuals and families to move out of Specialist Homelessness Services or social housing. The private sector rental market is often too expensive for these groups, and supply is highly constrained. Rebuilding an effective housing continuum is difficult, and can only be achieved using the coordinated whole-of-Government approaches.

Rethinking home ownership

Most Australians want to own their own home. But a growing number of Australians of all ages - but particularly young people - cannot aspire to this in the current market. Equally the ability of young people to compete in the rental market is getting harder. This is pushing low income tenants out of the lower

end of the housing continuum, often into homelessness.

New tenure models should be supported, for example longer term private sector rental that required no subsidy, or very shallow subsidy. Also, there are alternatives where residents own only a share of their home, with the remainder provided by public or private sector equity investment – the shared homeownership model.

Many of what are termed ‘intermediate housing products’ do not require direct delivery by Government, or any subsidy. Often what is needed is for Government to provide the institutional framework. The benefit is that more people can transition out of heavily subsidised social housing.

Different financial approaches

There are a number of possible options which can be considered. Many models have been delivered at scale in Britain, the Netherlands, Sweden and Austria.

There are several models that have been piloted in Australia, particularly around shared homeownership or shared equity. Western Australia has been the leader, and the Coalition Government supports these products as central to their affordable housing strategy. Some 11,000 households have been assisted in schemes dating back to the 1980s. All States and territories in Australia other than NSW have some form of shared homeownership.

SGCH is currently working with other community housing providers and social enterprises through Regional Development Australia on developing a shared equity model. We recommend NSW Government fully evaluate the various shared ownership approaches, which have a tried and tested track record in Australia. They have the ability to restore the housing continuum at low cost, free a portion of social housing for people in high need, and manage demand on the social housing waiting list.

We also recommend that the NSW Government make better use of current government policies and subsidies in order to deliver more affordable housing. For example, the currently under-utilised First Home Owners Grant – which presently may only be paid to the first home buyer – could be diverted to community housing providers to enable them to build more affordable housing. Community housing providers could then sell these properties to new home buyers under a shared homeownership scheme.

3.6. Broadening and targeting the supply of funds

Given the challenges for new borrowing by Commonwealth or State Government in an era where budgets are being brought under control, the best way to raise funds for new social housing is for debt-raising to be undertaken off the Government's balance sheet.

Contemporary approaches allow either community housing organisations or special purpose cross-sector partnerships to raise bank loans which will be repaid from future net rental cashflows. For this to happen there needs to be broad agreement on vision, strategy and funding at all levels of government.

To achieve the level of growth in affordable housing supply, which is badly needed, the Government, working with partner agencies should identify and pursue new and alternative funding mechanisms. The growth required - and the extent of the undersupply problem - will not be fully addressed without additional funding as well as the creativity to work better with what we have.

Government has to look at the best use of taxpayer dollars in providing for social and affordable housing needs. However, there also needs to be consideration of longer term savings by wisely investing now in the right strategies. Housing people properly can save Government money in the long run by preventing homelessness, making sure children remain in school and transitioning more people into employment. Broken public housing estates are costly for all branches of Government and for the country, not just the Department of Family and Community Services.

National innovation

Other states and territories have started to take the lead with innovative finance. A housing construction program would deliver considerable economic growth to the State. We share NSW Government's passion to make NSW number one again, and we believe this can be helped by adapting one or more of the approaches below:

Housing bonds

Research institutes such as AHURI, working in conjunction with private sector financiers, have developed a practical Housing Bond that would work in Australia. It relies on a modest guarantee by Government of a small portion of bond risk. No direct lending is required, and the risk can be carefully managed.

The Western Australian Coalition Government has been a strong supporter of Housing Bonds, and may become the first state to introduce them. NSW Government could begin to

work in partnership with WA so that a similar product could be introduced to help address the housing crisis in our state.

Social housing cash flows are modest but reliable. Consequently, community housing providers are able to sustain moderate levels of debt if the scale of the community housing provider is sufficiently large so that economies of scale are achieved. Most bonds desire a return of 6% to 8% and this level of return is possible from community housing. However, because it is an unknown asset class, traditional bond investors such as superannuation funds will not consider such an investment without some form of Government guarantee.

Bonds would represent a new form of institutional investment in social and affordable housing in Australia. They would help reduce reliance on other forms of less complex and expensive funding such as bank loans. Housing Bonds are popular in continental Europe, and they are one reason why several countries in that region had only a modest impact from the GFC.

Strategic Government lending

The potential to access capital for development projects in affordable housing has been widely discussed across Australia. With a change in national government direction, it may be a good time for NSW to consider what size of fund, and what degree of government guarantee (or not) might be required to potentially get this off the ground.

At SGCH we look closely at what is happening in other states and territories as we always believe we can learn from sharing the experiences of our peer organisations. For example, CHC Affordable Housing in the ACT has become a major not-for-profit affordable housing developer using in part funding received from a loan from Treasury. The loan is fully repayable from development proceeds and longer term cashflows, and therefore different to a traditional grant-based approach.

Social impact bonds, and achieving cost effectiveness

New ways of thinking are emerging on how government spending can better target funding to achieve positive outcomes for individuals and communities. NSW has led the way with Social Benefit Bonds. Currently there are two modest scale projects being trialled.

We believe the approach has considerable strengths in helping achieve better outcomes, rather than the traditional focus by Governments on inputs and outputs. Social Benefit Bonds may be one way to bring new money, and better focussed strategies, to renewing and transforming problem public housing estates.

This approach also ties-in with the suggestion by the NSW Auditor General that we need to develop new measures that indicate the impact of Government spend on both the fiscal and social economies. This helps Government make tough decisions on resource allocation in an era when budgetary constraint is required.

NSW recommendations

Our suggestion is that NSW Treasury, in partnership with the Department of Family and Community Services review the financing options we have suggested. They are based on tried and tested approaches in Australia and overseas. Raising external private and philanthropic funding reduces the burden that otherwise falls on State Government.

Much of the background work has already been undertaken. KPMG prepared a report for the Victorian government in 2012 which outlined nine possible funding models for governments to consider when developing new social and affordable housing. Interestingly, their main conclusion was that community housing providers were the most effective way that Governments could harness innovative financial approaches.


In NSW we need a more coordinated approach to encourage community housing providers to borrow to their optimum capacity using conventional approaches. In Victoria, for example, State Government has taken action to ensure better use of 'lazy assets' and cashflows. SGCH has consistently met Government's expectations to leverage private finance, but support is needed so that that all other providers in the sector can do the same.

3.7. Section conclusions

SGCH looks to continue working closely and in a constructive alliance with all branches of NSW Government to help address the important economic, social and environmental issues raised by the Parliamentary Inquiry.

We are seeking a step change in Government's approach to the affordability crisis, particularly in the areas of commitment to the community housing sector, developing new strategies, coordinating service delivery and planning implementation. Government's best role is strategic steerage of the sector, with an increasing proportion of delivery passed to the not-for-profit sector in collaboration with private sector organisations. Public funding is important, but we believe current expenditures can be better used to deliver more impact.

The right State Government policy settings, in conjunction with growing responsibilities given to commercially experienced community housing providers, can form the bedrock of a



sustainable NSW social housing system. New properties can be built through a blend of public subsidy and private finance. Better and more sustainable tenant outcomes can be achieved at lower per-property running costs.

SGCH is proud of our role in helping build stable communities, transitioning people into employment and training, and offering families a way out of long term reliance on social housing. We celebrate the wins we have achieved in breaking disadvantage, not just managing it. The examples we have included in this submission can and are being adopted by many others in the sector - our role is to give leadership and drive further innovation.

We are ready to step up to the challenge of assisting Government in different ways and at a scale even greater than has been achieved to date. SGCH is not looking for subsidies or asset transfers of right, rather opportunities to do more to help achieve objectives that we all share. Without an increase in affordable housing supply, and a transformation of social housing policy settings to enable effective delivery, we will continue to have high levels of homelessness and not be able to restore the leadership position of NSW.