



Inquiry into Affordable Housing

Senate Standing Committee on Economics

Submission by SGCH

*Better lives, stronger communities through
affordable quality housing*

Better lives, stronger communities through affordable, quality housing

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Senator David Bushby
Chair, Senate Standing Committee on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

25 March 2014

Dear Senator

Inquiry into Affordable Housing

On behalf of SGCH (St George Community Housing Limited) I am pleased to contribute to the Senate Inquiry into Affordable Housing. As one of Australia's largest and most awarded not-for-profit housing providers, we wish to draw on our experience to help Government maximise existing opportunities and leverage better outcomes from current available funds to create an ongoing supply of low cost housing options for those in need.

Our model of contemporary community housing encompasses a service for the most vulnerable alongside affordable homes for people on very low to moderate incomes. We know that it works, and it is this experience in service delivery, tenancy management and engagement, community regeneration and property development and acquisition that underpins our recommendations to the Senate.

Our submission identifies the four key areas where we believe that Commonwealth support will have the greatest impact on achieving our mutual objective of providing an affordable home for every Australian:

- Strategic leadership by the Commonwealth
- New funding for social and affordable housing
- Addressing the affordability crisis and creating a sustainable system
- Rebuilding the housing continuum

We need a new version of the National Affordable Housing Agreement, but one that improves housing system efficiencies and holds States to account for public funding. Other policies, schemes and agreements need to be reviewed, such as NRAS – a well-designed

scheme with practical benefits but one in desperate need of an overhaul to remove current inconsistencies and unintended consequences.

There should be greater transparency, accountability and evidence of better outcomes for the investment of public funds. Community housing organisations already demonstrate to Government that they are a cost-effective and transparent delivery method for social and affordable housing. We believe organisations such as SGCH should be given a larger role in the future, as key players in the housing system.

We believe that the affordable housing supply can be increased through a greater degree of leadership by the Commonwealth, particularly with regard to the taxation system. Negative gearing has had a significant adverse impact on housing affordability by driving up property prices, and we believe that there are better ways to stimulate availability of rental housing.

We want the Commonwealth to explore alternative approaches to lower cost housing, such as shared home ownership, housing bonds, and social impact bonds. In all of these areas we believe that higher capacity community housing organisations such as SGCH should be a key mechanism through which public policy goals can be delivered.

We commend the Senate for undertaking this enquiry and we look forward to working with Government on making a difference to the housing system and ultimately to the lives of those in housing need.

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. The housing affordability challenge

Australia's housing system is in crisis. This impacts on both our country's social and economic outcomes and macroeconomic growth. Policy responses at State level are uncoordinated and have been patchy, though there are many good examples of schemes that work well. Commonwealth leadership, with State partners, is needed in reforming social and affordable housing policies, funding and delivery, especially in helping to build solid pathways for people who can access private sector rental and home ownership.

1.1. Housing system problems

Exponential increases in housing costs and property prices over the past decade have affected a growing section of the community, including workers on moderate incomes who used to be able to provide their own housing without government assistance. The social and economic costs and impacts of this situation are high – with increased rates of homelessness and housing stress – and require long term solutions and investment to resolve. Australia's social fabric and productivity could be improved by the provision of affordable housing for key workers in our local and global businesses.

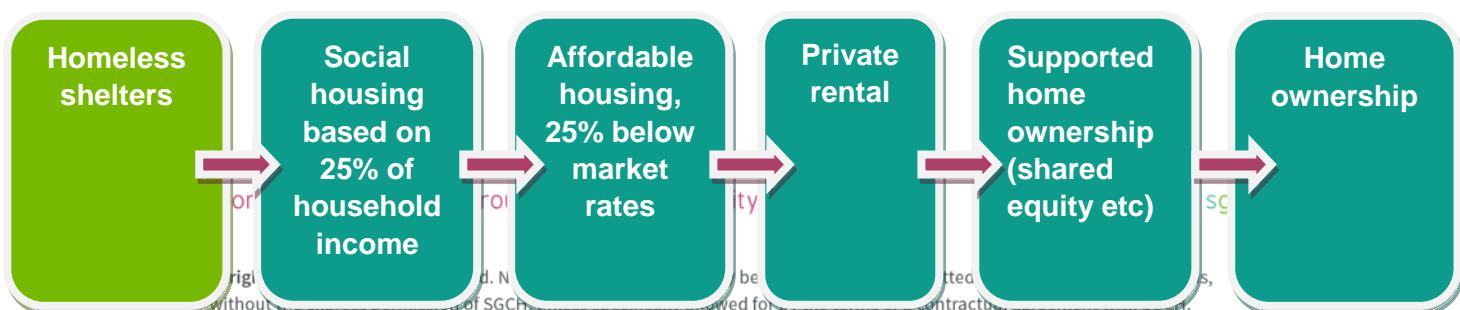
Terms explained

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

The housing continuum

Governments need to acknowledge that the housing system is inter-connected, and that accommodation and housing assistance 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:



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 remain in private rental housing in housing stress as they cannot afford to buy or save for a deposit. As rental prices rise, many modestly paid key workers are pushed to the edges of our cities and while rents may be slightly lower, their travel costs increase.

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 the proportion of households in stress stands at 18%, up from 14% in the mid-1990s. Half of all households in housing stress are on low incomes.

Social housing

Public housing stock is ageing and increasingly not fit for purpose. There is not enough funding available for maintenance and properties are being sold by State housing authorities 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 under-occupancy in some locations, and over-crowding in others. Waiting lists remain long. In NSW there are around 60,000 people eligible for social housing, with waits of over 10 years common in all the areas in which SGCH operates.

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 single person or couple. Often ‘priority housing’ applicants have to be placed in larger properties than they need because of a shortage of smaller properties in high demand areas.

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, 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 who are essential to non-market housing delivery. Due to their ability to work closely with partners in other sectors and reinvest 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, 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.

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, SGCH has achieved satisfaction ratings in the 80s, rising to 87% for our affordable housing.

These surveys show community housing is favoured 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. Over 300 people have passed through the program, and some of the successful outcomes 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.

With the support of Commonwealth 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 behind this:

- Community housing tenants are eligible to claim Commonwealth Rental Assistance (CRA) which means the Commonwealth Government provides additional income into the State housing systems.
- 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 sheets. This finance, combined with providers' charitable status, means that the community housing sector can provide a greater return on every dollar spent.

Modern housing businesses

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. The sector is also well regulated, initially through State legislation though soon through the National Regulatory System (NRS). Government can 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.

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. 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 the Bonnyrigg Public Private Partnership in western Sydney, 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 residents who are engaged both with each other and their community.

1.3. Section conclusions

The Commonwealth Government’s role in housing has largely been through Commonwealth income policies and bilateral agreements delivered via State Governments, when it should be more targeted and influential. For

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

Since the program started in 2008, 29 residents have found either full or part-time employment, 26 residents have started internships or school-based traineeships, while 31 residents have started studying for their Certificate 2 in Horticulture and Construction Pathways.

example, it could exercise its influence by reviewing national legislation such as the Income Tax Act and its impact on housing – influence that State Governments can not exercise.

State Government housing authorities have come to realise that they cannot continue managing public housing as they have in the past, and that well-run community housing providers offer a more cost-effective alternative.

Beyond landlord services, community housing providers can help Governments achieve real, improved social outcomes for the most vulnerable and disadvantaged. Providers can also help people progress through the housing continuum into affordable rental housing - releasing valuable social housing for people in greater need.

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.

2. SGCH: social enterprise in action

SGCH is the largest not-for-profit tenancy manager in Australia. Our size enables us to achieve greater efficiencies through 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 to achieve our vision of “better lives, stronger communities through affordable, quality housing”.

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 almost 4,500 properties under management, 8,500 tenants and 116 staff, SGCH is the country's largest not-for-profit housing provider. Operating at a larger scale than other community housing providers allows us to achieve 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, and our experience as a leading Australian community housing provider means that we know what works and we know what doesn't. It is this experience that

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
- A five-person IT, Software and Reporting team that provides support to our day-to-day operations
- Internal Audit and Risk Management, which identifies and assesses processes and risks throughout SGCH

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Bonnyrigg outcomes

Before the redevelopment of Bonnyrigg, in western Sydney, 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 been 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.

informs our recommendations to Government in this submission.

2.2. Building stable communities

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 allowed us to build a reputation for expert place-making delivery, incorporating tenant engagement and community development.

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

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 highlighted our Creating Sustainable Communities framework.

SGCH believes that involving tenants in our work brings benefits to our organisation, to the local community and to the tenants themselves, and we have a well-established and award-winning Tenant Engagement Strategy that is central to the success of our place-making approaches.

Integrated total asset management and tenant management

SGCH adopts a whole-of-portfolio approach. This means that we plan and use our properties effectively to meet the ever changing needs of our tenants 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.

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 generational disadvantage.

We share Government's desire to rejuvenate 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 involves the transfer of 833 public housing tenancies to SGCH and the redevelopment of the site over 18 stages to create a sustainable social mix of private and social homes, which will de-concentrate the estate and revitalise the community. The project's success depends on making mixed

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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 Framework to identify needs, trends, aspirations and data to inform our strategic direction and service delivery.

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 a 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.

tenure living work for all residents. The project is fundamentally about the people, the place and the partnerships. Staff delivering community regeneration, rehousing and property and tenancy management 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 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.

Our capacity is shown through sustainably managing our long-term housing portfolio growth by delivering and tenanting 1,281 Nation Building properties to tenants, many of whom have complex needs. As part of our commitment to Government, we are also leveraging these homes to deliver new affordable housing properties. SGCH supports further property transfers in the future to enable continued leveraging to increase supply.

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 one 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.

Through collaborative working, community housing organisations such as SGCH can be a main support for the cost-effective transformation of social and affordable housing and continue to assist in addressing the shortfalls in housing supply.

Our ‘four pillars’ of community regeneration closely aligns with best contemporary practice, while our experiences have allowed us to fine-tune effective methods of service delivery, tenant engagement and community regeneration, which underpin our recommendations to Government.

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.

3. Our recommendations

We have focussed our recommendations to this wide-ranging Senate Inquiry around four core areas. The proposed changes should not involve more Commonwealth expenditure; the greater priority is to leverage better outcomes from current available funds and to maximise existing opportunities in order to build capacity and make the housing system more efficient and effective.

3.1. Strategic leadership by the Commonwealth

The majority of direct interventions in the housing market, including planning, land release, social and affordable rental housing, are made by State Governments. However, in most cases funding is provided in part or in whole by the Commonwealth. Many taxation and welfare payments are set by the Commonwealth, and these have a large impact on housing.

National Affordable Housing Agreement (NAHA)

Funding for social housing has been negotiated between the Commonwealth and States through a series of agreements since the first Commonwealth State Housing Agreement in 1945. From 2009 the agreement has been known as the National Affordable Housing Agreement (NAHA).

We recognise that the NAHA had good intentions in addressing housing affordability issues, but it has been disappointing in delivery. There have been two main challenges:

- The NAHA's structure is complex, and encompasses a series of other initiatives such as the National Partnership Agreements. There are also significant parts of the social and affordable housing architecture that have been excluded, including NRAS, CRA, first home ownership grants and the taxation system.
- State Governments have had too much freedom over where the money is spent, and have failed to provide consistent and comparative data demonstrating that improved outcomes have been achieved. The NAHA has not, by and large, encouraged State Governments to deliver social housing more efficiently, nor to be accountable for what is and has been delivered. In contrast, the community housing sector is highly regulated and has rigorous reporting mechanisms for reporting on programs and

funding, and can demonstrate how and where money is being spent and what outcomes are being delivered.

Recommendation:

SGCH recommends that the Commonwealth implement a new approach to the NAHA. This would require a whole-of-government review of the mechanisms that impact housing affordability, and greater coordination in delivery. For example, there needs to be a system that prevents State Governments from receiving fixed funding for social housing under the NAHA, then transferring management to community housing providers whose tenants can claim CRA.

We believe that the best way to achieve greater accountability in how Commonwealth money is spent is to fund social housing providers through transparent tender processes. Dollars should be directed to where they are leveraging the best outcomes and costs are lower.

Transferring tenancy management and housing assets to community housing providers has system-wide benefits and should be encouraged. Management costs are lower, transparency and accountability increased and private finance can be raised to fund planned maintenance programs and increase asset sustainability. However, for banks to lend money at scale they require certainty on the future of CRA and the permanency of ownership transfer.

Negative gearing

There have been a number of drivers contributing to decreased housing affordability in Australia. Many are beyond the direct influence of the Commonwealth, such as a lack of developable land in some capital cities due to topography, neighbour opposition to higher density housing, outdated planning instruments, and increased external and internal migration to metropolitan areas.

Commonwealth Rent Assistance

There is a common misconception that every social housing tenant is eligible for Commonwealth Rent Assistance, but this is not the case, particularly for young people.

Individuals only become eligible for CRA when they are paying more than \$110 in rent every week. However, under the Youth Allowance, young people only receive rent assistance up to a maximum of \$49.40 a week, which means that many young people will not be eligible for CRA unless they have an alternative source of income that they can put towards their rent. Without assistance from CRA, many young people will not be able to afford social housing, restricting their housing options and in many cases pushing them towards homelessness.

In general we do not believe that CRA is a sustainable long term solution, as the current rent policy – 25% of income + 100% of CRA – still provides a relatively low income stream which makes it hard for providers to deliver high quality tenancy management, community regeneration and property maintenance services, particularly those that do not have size and scale.

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Council of Australian Governments

At a COAG meeting in May 2009 Australian Housing Ministers agreed that jurisdictions and the Commonwealth develop, over time, a large scale not for profit sector comprising up to 35 per cent of social housing by 2014. This commitment is testament that Governments of all jurisdictions (at that time) acknowledged that the not-for-profit sector had the capacity to leverage private finance against its assets as well as attracting Government subsidies and could therefore play an important role in addressing the growing demand for both social and affordable housing.

However, this confidence in the sector was qualified with recognition of the need for robust regulation and compliance with performance standards. It was suggested that Governments should only *"responsibly assist not-for-profits to expand their asset base if those providers were well-governed, financially sound and able to operate at scale."*

The community housing sector welcomed COAG's target, as it would help the sector become more sustainable, rely less on Government subsidies and enable organisational business models to diversify and innovate. 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, it is recommended that 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. The community housing sector has matured further and increased its capability since 2009 and is now in a better position than ever to meet the growing demand for social and affordable housing.

However, negative gearing in particular, and the system of taxing capital gains on land, is one of the drivers for reduced housing affordability. This policy is set by the Commonwealth and the States have little influence.

Negative gearing has helped crowd out first time buyers for properties. It has favoured the wealthy and encouraged property investment over consumption; we believe that there are better ways of encouraging investment in rental housing.

We do not agree with the accepted view that this is too difficult a topic to tackle, nor do we believe changing the system would lead to a catastrophic decrease in the supply of new buildings and a collapse in the price of existing properties. Allowing more people the chance to own their property would take pressure off the private rental market, thereby giving more people a pathway from social housing into affordable private rentals.

Recommendation:

SGCH recommends that while it would be unfair to penalise existing investors who have taken advantage of negative gearing, the Commonwealth should change the rules for new investors. Another alternative would be to set a cap on the level of deduction that a tax payer may claim over their lifetime. Such an initiative would enhance Commonwealth revenues and encourage the distribution of existing housing stock because a major investment incentive has been removed.

The Commonwealth's role

Whether or not there is a National Housing Minister, or a central housing bureaucracy, SGCH believe the role of the Commonwealth is to:

- Tailor the tax system so that it promotes acceptable housing outcomes for all Australians, and encourages the housing continuum to work better.
- Ensure funds for social and affordable housing are carefully directed to where most benefit can be gained, by promoting a contestable social housing system between public and community housing providers.
- Set the 'rules of the game' in such areas as the National Regulatory System for community housing, delivery of NRAS incentive funded properties, and promoting the legislative framework for innovations such as shared ownership or social impact bonds, described in Section 3.2 of this submission.

3.2 New funding for social and affordable housing

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

Community housing

Given that the Commonwealth and most State Governments are looking to reduce debt, the best way to raise funds for new social and affordable rental housing is for debt-raising to be undertaken off Governments' balance sheets.

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 cash flows. For this to happen there needs to be broad agreement on vision, strategy and funding at all levels of government - potentially through a re-negotiated NAHA.

Recommendation:

The Commonwealth and State Housing Ministers need to signal how large a proportion of the social housing system is run by community housing providers. The figure of 35% was suggested in 2009 by the COAG, though costings on the impact of CRA were not developed in detail and there was no plan for how the 35% target would be achieved.

The Commonwealth 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. However, this needs to be as part of a wider debate on the future funding of social housing that encompassed NAHA and CRA.

Recommendation:

The Commonwealth should take the lead in deciding on the likely scale and function of the community housing sector. Once a strategy is established, agreed targets should be set for providers, such as the number of new affordable dwellings supplied or broader measures such as Social Return on Investment. Organisations such as SGCH have a proven track record over a number of years demonstrating how these goals can be tracked and achieved.

Housing bonds

The AHURI, working in conjunction with private sector financiers, has 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.

Bonds would represent a new form of institutional investment in social and affordable housing in Australia. They would help reduce reliance on scarce public funding. 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.

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.

Without Commonwealth support, housing bonds are unlikely to succeed. Central leadership would ensure a uniform system is created, which is necessary as capital markets require volume and scalability. Potentially bonds could be issued by individual States and Territories, but in a standard regulated format established by the Commonwealth.

Most bondholders require 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. An alternative approach could be Commonwealth making it mandatory that larger Superannuation Funds invest a percentage of their funds in Housing Bonds.

Recommendation:

To achieve a viable housing bond market in Australia, there needs to be national leadership through establishing a legislative framework, and providing some initial funding for a pilot project. The cost could be modest, and the underwriting of the bond risk could be a State Government responsibility. Managing the bond issuing process could be outsourced to a financial organisation or to a not-for-profit vehicle, an approach taken in Britain with the Housing Finance Corporation.

Social impact bonds

New ways of thinking are emerging on how Government spending can better target funding to achieve positive outcomes for individuals and communities. Social impact bonds are one such example, where investors only take their return

Better lives, stronger communities through affordable, quality housing

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. We were also able to apply NRAS to each of the units.

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 these subsidies enable projects such as our Ultimo complex to be more viable and target a broader range of eligible applicants. 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. NRAS needs to 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.

when the funded project has delivered a broad range of social and community outcomes.

Social impact bonds are popular overseas, and there is currently a pilot project of Social Benefit Bonds in NSW. However, the scale of Australian funding projects is small, and there is no on-going flow of transactions for investors.

SGCH believe the approach has considerable strengths in helping achieve better outcomes, rather than the traditional focus by Governments on inputs and outputs. Social Impact Bonds may be one way to bring new commercial and philanthropic money, and better focussed strategies, to addressing problems in affordable supply.

Recommendation:

As with Housing Bonds, the Commonwealth could promote Social Impact Bonds by establishing the structures and relationships required to enable them to function at volume. Control and delivery could be by the States, though there needs to a standard format across the country. A small investment in this area by the Commonwealth could have large impacts, and through the mechanics of the Bonds their impact would be carefully measured.

National Rental Affordability Scheme (NRAS)

SGCH has used NRAS incentives to successfully develop new affordable housing for eligible low and moderate income tenants. Unlike schemes funded by private investors, or developed by commercial companies, our affordable homes will be available indefinitely.

We consider NRAS to be a fundamentally sound scheme, and leading practice internationally. However, the scheme's implementation was rushed and opportunities not taken to change delivery details across the various incentive rounds.

Recommendation:

We recommend that the Commonwealth take advantage of the opportunity to make modest changes to NRAS, and bolster a scheme that delivers much needed affordable housing at a modest cost to taxpayers. Our suggested amendments include:

- The scheme is made 'permanent', as happened in the US with their tax credit scheme, and a regular annual program of funding rounds announced in advance. This allows for both housing providers and funders to be well prepared.
- While we understand the benefits of having both for-profit and not-for-profit organisations able to bid, we believe a minimum portion (say 50%) should be

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.

allocated to the latter group. This gives greater benefits to Government as affordability is provided in the longer term.

- All NRAS projects should have to be rented affordably for a minimum of 15 years, not 10, though the subsidies will only be paid over 10 years.
- The value of the incentives should be variable, not fixed, and there should be greater subsidy in areas where land costs are higher - typically metropolitan areas and resource growth regions.
- Even if co-funding between the States and Commonwealth is retained, we believe that only one level of Government should be responsible for administration.
- The recent criticisms of the scheme could be addressed by preventing NRAS incentives being used for student accommodation, making illegal a secondary market in incentives, and restricting the use of negative gearing by NRAS investors.

Welfare benefits

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

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

The numbers simply do not add up. There needs to be cohesion and impact analysis of Commonwealth and State Government policies, especially between welfare benefits and housing. One layer of Government cannot solve these issues alone, but the Commonwealth

has a large direct and indirect role in benefits, especially through Centrelink, and so has more leverage than in social housing policy.

3.3. Addressing the affordability crisis

The shortage of affordable housing has a profound social and economic impact on communities, 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 Government and which considers the supply-side mechanisms in conjunction with their enabling policies.

Affordable housing supply

Larger 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 affordable housing. This is important where taxpayer dollars are invested, such as 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 in which we will retain a long term interest, unlike developers who build and sell immediately. Our model is about providing quality housing with design-out maintenance principles, 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 Britain, which has delivered significant growth and access to affordable housing.

Community housing providers can also be useful partners for State Government in strategic projects requiring a mix of housing tenures, and the retention of longer term affordable rental

housing. We can work effectively with Governments 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.

Recommendation:

Australia needs a long-term national affordable housing strategy in order to optimise Federal and State funding policies, planning levers and other political instruments that will help increase the supply of social housing to those in need.

A national affordable housing strategy will provide long term direction and much-needed support to community housing providers and policy makers, and it will also provide an integrated whole of government accountability across non-housing agencies to plan and deliver across the whole service system.

Long term bipartisan commitments by both State and Federal governments are critical to enable resources, plans and policies to be put in place in order to help us achieve the overall national vision – providing an affordable home for every single Australian who needs one.

Innovation in building design

In Europe and the US there have been substantial advances in the use of innovative construction systems, such as Cross Laminated Timber (CLT) and Modular. These systems help to reduce construction costs and the environmental impact of development, while they also enjoy greater recyclability, improved construction times and minimal wastage, all of which would have a beneficial impact on affordable housing supply.

Recommendation:

Both the CLT and Modular systems are at relatively early stages of their development, and while there are a few examples of their use in the Australian housing industry, significant investment will be required in order to encourage an industry-wide uptake of these systems. We believe that this is an opportune moment for the Commonwealth Government to take the lead, through supporting research and development, creating manufacturing facilities and providing financial incentives to developers who use them.

3.4. Re-building the housing continuum

The housing continuum is not working in Australia. The private rental sector is often too expensive for very low and low income groups, and supply is highly constrained. Few opportunities exist for individuals and families to move from expensive homelessness services into social housing, while social housing tenants have difficulty finding alternative housing due to affordability and availability. Rebuilding an effective housing continuum is difficult, and can only be achieved using a coordinated cross-Government approach.

Rethinking housing tenure

Most Australians want to own their own home. But a growing number of Australians of all ages - particularly young people - cannot realistically achieve 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 requires no subsidy, or very shallow subsidy. There are various 'intermediate housing products' that could help low to moderate income households to enable a transition along the housing continuum. These include rent-to-buy, shared equity, community land trusts and shared ownership.

Shared ownership models

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 home ownership for moderate income households, and current public housing tenants. Western Australia has been the leader, and State 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. Several other states and territories have some form of shared home ownership, though at a smaller scale.

SGCH is currently working with other community housing providers and social enterprises through Regional Development Australia on developing a shared ownership model.

Recommendation:

Intermediate housing products 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. They are therefore a good form of investment for the Commonwealth, and able to deliver a high rate of social return on investment.

To achieve scale, shared ownership and other intermediate housing products need a national legal and regulatory framework. This would give confidence to both financiers and potential shared owners. The Commonwealth could support with legislation, and seed funding, with administration and delivery at State level. SGCH recommends we follow the British approach where such schemes are run by community housing providers, not the State Government as in Western Australia.

National Partnership Agreement

The Commonwealth Government needs to make a sound and firm commitment to the future of the National Partnership Agreement on Homelessness (NPAH). The NPAH has provided over \$1 billion of Commonwealth, State and territory funding since it was first signed in 2009 and has enabled thousands of Australians to access essential early intervention and crisis services and has provided opportunities for previously homelessness people to access long term housing and get back on their feet.

The current agreement expires at the end of June 2014, and whilst there is a one-year transitional arrangement in place (signed by the previous government last year) the uncertainty about the future of NPAH is a major concern for services providers and affected clients.

Recommendation:

The Commonwealth Government needs to commit to a future NPAH that builds on the learnings and findings of NPAH reviews over the past five years. This will require the investment of funds that will help address homelessness across Australia. NPAH funds should be directed to prevent homelessness and may include early intervention services, which will help sustain existing tenancies.

3.5. Section conclusions

Many of the policy levers to deliver more affordable housing, and make better use of social housing, are held by the States. The Commonwealth has few direct powers to intervene in issues of planning, land release, developer contributions and management of State Housing Authority portfolios. However, where national funds are used - such as with the NAHA and NRAS incentives - the Commonwealth has more influence.

Community housing can play a significant role in delivering more affordable and social housing, and at a lower cost than by State housing authorities. Direct funding of community housing providers by the Commonwealth would be possible, through a hypothecation of funds to the sector under the NAHA.

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

We are seeking a step change in the Commonwealth's approach to the affordability crisis, particularly in the areas of strategic leadership, commitment to the community housing sector and steering the introduction of financial products that generate external finance. Public funding remains important, but we believe current expenditures can be better used to deliver more impact.

SGCH is proud of our role in helping to build stable communities, transitioning people into employment and training, and offering people homes, including pathways 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.

Without an increase in affordable housing supply, and a transformation of social and affordable housing policy settings to enable effective delivery, we will continue to have high levels of homelessness, uncoordinated service delivery and adverse social and economic impacts, and as a country we will not achieve our full economic potential.

SGCH is ready to step up to the challenge of assisting Government in different ways and on a scale even greater than has ever been achieved before.