

Social and Affordable Housing Innovations: People First

15 March 2016

About NCOSS

The NSW Council of Social Service (NCOSS) works with and for people experiencing poverty and disadvantage to see positive change in our communities.

When rates of poverty and inequality are low, everyone in NSW benefits. With 80 years of knowledge and experience informing our vision, NCOSS is uniquely placed to bring together civil society to work with government and business to ensure communities in NSW are strong for everyone.

As the peak body for health and community services in NSW we support the sector to deliver innovative services that grow and evolve as needs and circumstances evolve.

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Introduction

The NSW social housing system is in crisis. With a wait list of 60,000 households, a wait time of 10 years, and a maintenance backlog of over \$300 million, we need innovative solutions to ensure that the state's most disadvantaged and vulnerable people get what they deserve: a safe and stable home.

More and more people in NSW are finding it difficult to pay their rent. Across the state, 43.3% of low-income households are in rental stress (defined as a low-income household paying 30% or more of their expenses on rent).¹ Commonwealth Rental Assistance (CRA) isn't sufficiently addressing this situation as 43.1% of NSW households receiving CRA continue to be in rental stress.² The situation is worse in Sydney where 54.4% of low-income households are in rental stress, and 50.4% of households receiving CRA continue to experience rental stress despite this assistance. In fact, 20% of those households in Sydney receiving CRA are spending more than half of their income on rent.³ In the two years to June 2014, there was a 20% increase in low-income households experiencing rental stress, with 205,664 households now in that predicament. With more people struggling under the burden of unaffordable rents and with limited affordable private rental stock in many areas, the demand for social housing will rise. Greater demand coupled with an already lengthy wait list further raises the risk of people becoming homeless. We cannot let that happen.

The social housing problem is complex, and complex problems need creative, adaptable, and dynamic solutions. We must think outside the box and try new things to see what works, because what we've been doing isn't enough. Instead, we need flexibility and risk-taking – the cornerstones of innovation – if we want to solve the social housing crisis. With such urgent and widespread need, taking risks to provide better social and affordable housing is entirely warranted. In fact, it would be indefensible to repeat old models that simply aren't suited to the current economic and social environment; to continue failing the most disadvantaged and vulnerable people in NSW because we are too afraid to risk novel solutions is unconscionable.

Response to the Government's *Future Directions for Social Housing in NSW*

The NSW Government recently announced its 10-year social housing strategy, *Future Directions for Social Housing in NSW*. The release of this strategy comes at a time when governments across Australia are turning their attention towards the social and affordable housing crisis and exploring various approaches that might address it. NCOSS welcomes the NSW Government's flexible approach in introducing multiple levers for increasing the supply of social and affordable housing and improving outcomes for social housing tenants. We are hopeful that the opportunities presented in this strategy will enable our members to do more of what they do best: supporting people experiencing poverty and disadvantage to improve their lives.

¹ SCRGSP (Steering Committee for the Review of Government Service Provision), Report on Government Services 2016, vol. G, Housing and Homelessness, Productivity Commission, Canberra, Table GA.5, p.1.

² SCRGSP (Steering Committee for the Review of Government Service Provision), Report on Government Services 2016, vol. G, Housing and Homelessness, Productivity Commission, Canberra, Table GA.28, p.1.

³ SCRGSP (Steering Committee for the Review of Government Service Provision), Report on Government Services 2016, vol. G, Housing and Homelessness, Productivity Commission, Canberra, Table GA.34, p.1.

Diverse people, with diverse needs, are at the heart of social housing. This is why we need a multi-faceted approach that can accommodate the various circumstances social housing tenants experience. We need a strategy that will allow an examination of the existing estates and a calculation of what needs to be done to rejuvenate them, keeping community wellbeing at the core; that will enable Aboriginal communities to drive their own housing agendas; that will create accessible housing so that people with disability aren't isolated; and that will ensure women and children escaping domestic and family violence get the safe and secure homes they deserve. This must all be balanced with an approach that minimises potential disruptions to existing tenants, especially those with complex needs and vulnerabilities. We believe *Future Directions* recognises the necessity of being flexible in order to meet people's needs, and we hope this will also be the case in practice.

Community Housing Providers

NCOSS supports the Government's commitment to honour the 2009 COAG agreement by Housing Ministers (the National Affordable Housing Agreement) that up to 35% of social housing stock should be owned or managed by community housing providers (CHPs).⁴ We would, however, urge the Government to consider ownership transfers to CHPs. Housing experts maintain that ownership transfers generate greater gains – and thus more social and affordable housing – than management transfers.⁵ If management transfers are the only option the Government wishes to pursue, we would encourage longer-term contracts of 20-35 years. This will facilitate better leveraging of the properties and scaling-up, thereby creating more social and affordable housing stock more quickly.

The community housing sector is responsive, flexible and client focused. CHPs have a social justice mindset, placing them in an ideal position to achieve the best outcomes for social housing tenants while also building the social and affordable housing supply so that more people can be supported. As found in the 2014 National Social Housing Survey, CHPs consistently outperform public housing providers when it comes to client satisfaction (36% of CHP tenants are very satisfied compared to 28% of public housing tenants).⁶ CHPs do a better job of supporting people in social housing and they should be allowed to flourish, with the right market conditions to enable them to raise operational capability. NCOSS welcomes the Government's commitment to strengthening the community housing sector.

The Social and Affordable Housing Fund

NCOSS is particularly supportive of the Social and Affordable Housing Fund (the SAHF), a critical element of *Future Directions*. This is a significant part of the Government's social housing strategy and a key way in which the Government plans to strengthen the community housing sector and increase the supply of social and affordable housing. This \$1.1 billion fund – created through a Memorandum of Understanding between NCOSS, Infrastructure Partnerships Australia, and the NSW Government – will deliver 3000 new social and affordable

⁴ Pawson et al, 'Public housing transfers: past, present and prospective', AHURI Final Report No.215, Melbourne, 2013, p.18.

⁵ Ibid., pp.58-59.

⁶ Australian Institute of Health and Welfare, 'National Social Housing Survey: Detailed Results 2014', Canberra, 2015, pp.9-10.

housing dwellings in the next few years. That's 3000 new households who will get the homes they deserve and the support services they need to become independent.

The fund also creates a unique opportunity to produce significantly more than 3000 new dwellings by using this bipartisan, social housing focused vehicle as a quarantined pen where innovative ideas can demonstrate proof of concept. By increasing the fund in the long term, more new ideas can be tested and better solutions to the delivery of social and affordable housing can be found.

Support Services

NSW needs more social housing dwellings but it also needs better services to help people avoid needing social housing in the first instance and to help social housing tenants transition out of social housing if they are able to do so. As the Government has noted, some people will always need Government support to achieve a safe and stable home, and these people must continue to receive housing support. Similarly, there are instances where social housing by itself may be the only ingredient necessary for some people to achieve independence. But we will have failed the remaining social housing tenants if we do not ensure they receive the education, skills, employment, and health services that will help them become independent and, where possible, have the choice to transition out of social housing and into the private rental or home ownership markets. However, it must be noted that in some areas there is little, if any, private rental stock that is available and affordable. The particular circumstances of rural, regional and even some city areas, needs to be taken into account here. Without addressing housing affordability in the private rental market, the success of measures to transition people out of social housing will be impaired. NCOSS is keen to work with Government, our members, and other sectors to address this critical issue.

We agree that a whole-of-government, cross-agency response is the only way of achieving the best outcomes for social housing tenants. However, *Future Directions* hasn't provided a sufficiently detailed strategy for supporting those specific groups in the community who have complex barriers to independence. For example, NCOSS stakeholder engagement work has shown that Aboriginal youth find it particularly difficult to find employment and housing, with inherent racism and lack of opportunity in some areas being the core issues. Significant challenges such as these will require a whole-of-government (three tiers), community, and sector approach. NCOSS looks forward to supporting our members and Government in addressing the needs of the most disadvantaged groups who rely on social housing.

We know that many social housing tenants need more education, training, and job-readiness assistance so that they can fully participate in the labour market and transition to independence. The latest National Social Housing Survey found that the three strongest influences on employment status were the need for more training, education, or work experience; the desire or need to stay home to care for children; and the financial impact that working might have on rent assessments and income support payments.⁷ Of the unemployed and those not in the labour force, nearly 60% said that they weren't able to find work because they needed more training, education, or work experience.⁸ This must be addressed and NCOSS supports the collaboration between FACS and the Department of Industry to provide 50,000 free TAFE scholarships to young people in

⁷ Ibid., p.38.

⁸ Ibid.

social housing; the trial voluntary placement or relocation of tenants to areas with better educational and employment opportunities; the removal of work disincentives; the introduction of Personal Support Plans; and the tenant maintenance participation plans (again, provided they are voluntary). However, we need a clear commitment from Government that it will seek the opinions, needs, and wants of the people actually using, or who are in need of, the services at issue. An empowering strategy is the best approach and the one most likely to achieve the desired outcome of more people living independent lives.

Childcare remains a key determinant of employment outcomes. Of particular concern is the fact that 51% of social housing tenants who are not in the labor force have cited expensive or unavailable childcare as a strong influence on them not working.⁹ NCOSS supports the Government's allocation of \$2 million to establish early childhood centres in social housing areas and urges the Government to ensure all carers in social housing have access to high-quality childcare programs to enable them to fully participate in education and/or in the labour market.

NCOSS commends the Government on its implementation of our 2015 Pre-Budget Submission recommendation for a Home Visiting for Mothers and Babies program in social housing areas. This crucial service will help children in social housing get the best start in life by supporting their mothers in the early months of parenthood. However, such support should continue beyond infancy and through to early childhood, both in the home and in the form of early childhood education. NCOSS is keen to work with our members and with Government to create an extended program of assistance.

Innovative Financing of Social and Affordable Housing

Cross-sector partnerships have the potential to increase the supply of social and affordable housing in NSW. NCOSS commends the Government for pursuing innovative financing mechanisms to provide more homes for the most disadvantaged people in our state. However, we remind the Government of the need to consult with institutional investors and housing providers to determine the types of financial instruments that will have the best chance of meaningfully increasing the stock of social and affordable housing.

The Commonwealth's newly established Affordable Housing Working Group (under the Council on Federal Financial Relations) is looking at a variety of options to increase affordable housing stock including housing bonds (to finance aggregated loans to housing providers), housing trusts, housing cooperatives, and impact investment models such as social impact bonds. We note that housing bonds would be attractive to institutional investment as they are a known product in international financial markets, with extensive research on their applicability in Australia having been conducted by multiple researchers, including at the Australian Housing and Urban Research Institute.¹⁰

NCOSS urges the Government to create the most fertile regulatory framework to enable partnerships to form and flourish. A key element of this will be ensuring a whole-of-government approach so that complementary

⁹ Ibid.

¹⁰ Julie Lawson et al, *Housing Supply Bonds – A Suitable Instrument to Channel Investment Towards Affordable Housing in Australia?*, AHURI Final Report No.188, Australian Housing and Urban Research Institute, Melbourne, 2012.

reforms are carried out in all relevant departments to allow the best possible environment for housing providers and institutional investors to develop partnerships.

Measurement and Evaluation

Innovative programs must be subject to measurement and evaluation to understand what has and hasn't worked, and why. *Future Directions* is clear that this is a trial of a variety of new approaches to address the social housing crisis. As with any new approach, there is a risk that some of the elements won't work. That's okay; it's to be expected. But what is key when trialing new methods is a robust measurement and evaluation program to learn from successes and failures alike. This should include an analysis of all parts of the strategy and not be limited to measuring the performance of CHPs in improving tenant outcomes.

Next Steps

Future Directions is a good start towards solving the social housing crisis. However, there are additional approaches the Government should also consider that will build on this new strategy and help grow the stock of social and affordable housing. Our recommendations will help people get the safe and stable homes they deserve.

Start Safely and Rent Choice for Domestic and Family Violence

NCOSS argues that it is the perpetrators of domestic and family violence who should be forced to leave their homes, not the victims. While the Start Safely rental subsidy is a valuable resource used to support victims of domestic and family violence regain independence, the lack of affordable and available private rental stock in many areas is a serious concern. Private rental subsidies are of no use if affordable stock – near transport, education, and employment opportunities – isn't available. NCOSS is eager to work with the Government and other stakeholders to improve access to affordable private rentals for victims of domestic and family violence.

A novel approach could see Rent Choice used to assist in re-housing offenders away from their victims once they have completed a residential behaviour modification program. Indeed, Rent Choice could be used to help pay for the cost of residential behaviour modification programs. This recommendation has the potential to reduce domestic violence recidivism rates, which is one of the Premier's personal priorities.

Social Housing Advocate and Advocacy Office

NCOSS is also supportive of an idea raised by many of our members for the creation of a Social Housing Advocate and Advocacy Office to protect the interests of social housing tenants and ensure that their particular needs are met. The state's most disadvantaged and vulnerable people need extra supports and protections to help maintain their tenancies and avoid homelessness. A Social Housing Advocate and Advocacy Office would provide independent specialised advice and support for social housing tenants, ensuring a single point of contact offering dedicated assistance. This will be particularly important given the redevelopment of existing social housing dwellings proposed in *Future Directions* and the consequent relocation of social housing tenants during that period.

Tenants' Advice and Advocacy Services

Future Directions hopes, in part, to assist people currently in social or affordable housing to become more independent and potentially achieve private rental tenancies in the future. But some tenants, particularly the most vulnerable and disadvantaged, may need independent advice to maintain a private tenancy and avoid social housing. With a private rental vacancy rate of 1.7% in Sydney,¹¹ tenants are in a weaker bargaining position relative to landlords and sometimes need extra support. Tenants' Advice and Advocacy Services provide specialized one-on-one support and assistance to tenants. They are unique in their understanding of dispute resolution processes as they are the only services that assist tenants in hearings at the NSW Civil and Administrative Tribunal. In order to remain effective, these vital services need to be funded properly. Currently Tenants' Advice and Advocacy Services receive only 8 cents from every dollar of the \$60 million in interest that is earned on the tenants' money that sits with the Rental Bond Board (over \$1.2 billion). NCOSS supports the Tenants' Union's request for an additional \$5.2 million per annum in funding for Tenants' Advice and Advocacy Services to be paid from the \$66 million surplus of interest on tenants' bonds. More of that surplus of interest should also be returned to tenants directly when they claim a refund of their bond. Better supporting tenants to maintain their private tenancies will help more people avoid needing social and affordable housing and is in keeping with the overarching goals of *Future Directions*.

Next Phase of the SAHF

Phase 1 of the SAHF is the first step in increasing the supply of social and affordable housing in NSW. While 3000 new dwellings is an excellent start, this won't solve the social and affordable housing crisis by itself. To continue to meaningfully impact supply and ensure more people have the homes they deserve, the SAHF needs to grow beyond the \$1.1 billion earmarked for its initial phase.

If a decision was made to grow the SAHF, it should be in a closely monitored, measured, and proof of concept framework. This approach could be continually assessed and fine-tuned, even completely changing track if necessary, in keeping with the fundamental ethos of innovation: flexibility and creativity.

Shared Equity

A good supply of affordable housing is key to helping people avoid the need for social housing. NCOSS believes that affordable housing isn't limited to the rental market; affordable home ownership is also part of an affordable housing strategy. Home ownership offers security of tenure and predictable housing costs over one's lifetime and it is a system that has been actively encouraged by Australian governments for the past century.

In *Future Directions*, the NSW Government signaled its intention to explore the viability of shared equity loans in regional areas of NSW. NCOSS urges the extension of this investigation into non-regional areas as well, particularly high-cost areas such as Sydney. As we noted in our 2014 report *Doors to Ownership* (with RDA Sydney), a shared home ownership product allowing low- to moderate- income people to partner with CHPs

¹¹ REINSW Vacancy Rate Survey, November 2015, accessed at http://www.reinsw.com.au/imis15_prod/Web/Posts/Media_Releases/201512/MR_Sydney_residential_rental_availability_slips.aspx?WebsiteKey=fc035f62-aa1d-4485-9a5d-f9989cc37ba9 on 19 January 2016.

would extend the spectrum of available housing assistance and would improve the capacity of CHPs to provide assistance that best meets the individual circumstances of their clients.¹²

We understand that the size of the equity component for properties in high-cost locations such as Sydney poses a significant barrier to shared equity schemes in these areas. To keep mortgage payments to 25% of low to moderate incomes, the equity outlay by a CHP may be close to 50% of the property price. This potentially exposes the equity partner to a significant loss if there's a downturn in the market and the property needs to be sold at a loss since the mortgagor would receive their share first and there may not be anything left for the CHP to recoup. A potential solution to this issue is the creation of a 'loss risk reserve pool' with money set aside from the SAHF and coupled with an amount contributed by CHPs. This pool would operate as an insurance scheme that would only be drawn upon in the event of a loss to CHPs due to the property being sold at a loss. Following consultation with Community Sector Banking, NCOSS understands that such a proposal would have the support of CHPs and would facilitate the viability of a shared equity product in high-cost markets such as Sydney.

Conclusion

We are currently in a period of intense interest in social and affordable housing at both the Commonwealth and State Government levels. Multiple initiatives to address the crisis are being explored and the pace of discussion is progressing rapidly around us. Like the Affordable Housing Working Group and the NSW Government, NCOSS recognises there is no single solution to the social and affordable housing crisis; instead multiple approaches need to be trialed and evaluated, and we need to be open to the possibility that new solutions we haven't yet considered may emerge in the coming years.

NCOSS welcomes the NSW Government's flexible and innovative strategy to addressing the social housing crisis in NSW. The variety of programs and approaches contained in *Future Directions* has the potential to markedly improve the lives of people in need of social and affordable housing. The time to act is now and it is only with a long term, bi-partisan commitment to solving the social and affordable housing crisis that people will find the homes they deserve.

Please contact Tracy Howe, NCOSS CEO, if you would like further information at tracy@ncoss.org.au or (02) 9211 2599.

¹² Regional Development Australia and the Shared Home Ownership Working Group, 'Doors to ownership: A business case and guidelines to a shared home ownership scheme in NSW', 2014, p.9. Available at http://www.rdasymdney.org.au/imagesDB/news/DoorstoOwnership_RDA_Web_Final.pdf