

# Social and Affordable Housing Fund: Phase 2

## NCOSS Positioning Paper

October 2016

### Introduction

The NCOSS pre-budget submission, released in October 2016 recommends a second phase of the Social and Affordable Housing Fund (SAHF) to deliver at least 5000 additional units of social and affordable housing for the state's most disadvantaged people. Our call is for a particular focus on regional, rural and remote areas; Aboriginal communities; older women; and women, children and young people experiencing domestic and family violence.

NCOSS acknowledges NSW Government efforts to transform the current social housing system to break the cycle of disadvantage as articulated in its recent housing strategy: Future Directions for Social Housing in NSW. This strategy tackles social and affordable housing through a number of integrated actions, with the SAHF being only one. NCOSS supports this multi-pronged approach allowing for flexibility and nuance to meet diverse community needs.

NCOSS urges the NSW Government to maintain the momentum commenced through this housing strategy and through the establishment of the SAHF, the transfer of more stock to community housing management, the discussion commenced on a NSW homelessness strategy, and through discussions on planning reform including inclusionary zoning.

The time is right for making serious inroads into the shortage of social and affordable housing in NSW. We are committed to continuing to work in partnership with the NSW Government, the community housing sector, the private sector, our broader NGO members and the community to make this happen.

NCOSS takes this opportunity to reiterate that the SAHF, both now and into the future, serves the sole purpose of achieving social and affordable housing outcomes and is not a tool to improve commercial advantage. We see Community Housing Providers as integral and highly important stakeholders in achieving this aim.

This paper has been produced in response to early discussions with members and stakeholders about how future phases of SAHF can be refined to maximize its capacity to deliver housing for those most in need. We see this paper as a tool to aid the continuous improvement of SAHF. As with any new and innovative process, the next phase will need to be refined as we learn from the first phase.

### Background

The SAHF was launched in January 2016 providing \$1.1 billion to invest in new social and affordable housing stock to support vulnerable people. In May 2016 a total of nine parties were short listed to develop detailed proposals to tap into the fund to deliver 3000 additional social and affordable housing homes.

On 21 September 2016, the NSW Treasurer introduced the Social and Affordable Housing Bill 2016, an Act to establish the Social and Affordable Housing NSW Fund for the purpose of providing funding for the delivery of social and affordable housing. This Act will pave the way for growing the SAHF.

NCOSS sees the introduction of this Bill as a welcome step towards future phases of the SAHF. While we eagerly await the announcement of successful parties from the first phase, we believe now is the time to commence discussions about the experience gained through SAHF 1 and how these can help all involved to position SAHF 2 to be an effective and targeted tool to produce social housing for our most vulnerable.

## Extend the SAHF and its funding sources

### *Proposals*

NCOSS supports the SAHF as an on-going mechanism with recurrent phases to fund growth in social and affordable housing and proposes expanding its funding sources.

NCOSS also proposes a more explicit objective around promoting social mix.

The projected shortfall in affordable homes in NSW (estimated at 100,000 over the next twenty years<sup>1</sup>) is too great to be met through the current level of investment in the SAHF. Significant growth in this fund is needed to allow the SAHF to make a serious contribution to meeting part of that shortfall.

A range of funding sources, in addition to revenue from electricity poles and wires lease, should be considered to grow this fund. These are proposed to include:

- Ring-fencing revenue from the sale of public housing assets where a strong case can be made that they are unfit for purpose and cannot accommodate the people waiting for social housing in that location. It is important to note that NCOSS continues to support a social mix approach to social housing and this includes retaining public housing in high value areas. NCOSS is therefore not proposing the sale of such assets for the purpose of growing the SAHF. Clearly, we do not want to solve one problem by creating another. However, if there is a strong case that stock is unfit for purpose, any funds generated through the sale of this stock must be ring-fenced for the sole purpose of producing additional social and affordable housing stock.
- Designating a proportion of stamp duty receipts to bolster the SAHF, as previously recommended by the Federation of Housing Associations in NSW;
- Directing developer contributions through future inclusionary zoning planning mechanisms currently under discussion. An affordable housing developer levy would be an option for some developers where it is not appropriate or possible to include the required proportion of the development for affordable housing;
- Direct investment by the NSW Government; and
- Philanthropic contributions.

NCOSS supports the current SAHF program objectives and the continued focus on both social and affordable housing to provide pathways and choices into the private market or homeownership.

We propose a more explicit objective around the promotion of social mix to ensure that housing projects grow social and affordable housing in locations accessible to jobs and other social and economic opportunities and do not perpetuate a concentration of social housing.

## A more people-focused and targeted fund

### **Proposal**

NCOSS proposes targeting the needs of priority cohorts, especially Aboriginal communities, older women and women, children and young people escaping domestic and family violence. The targeting can be achieved through a specific comparative evaluation criterion and through additional subsidies/gap payments.

NCOSS is concerned about the uneven impact of the housing affordability crisis and shortage of social housing on the most vulnerable members of our community. Our members and stakeholders noted Aboriginal people, older women; women, children and young people escaping domestic violence, as particularly vulnerable to housing stress and homelessness.

NCOSS believes the SAHF can be made more responsive to particular cohorts of people. The comparative evaluation criteria for phase 1 did not include a specific requirement to demonstrate capacity to house and support priority communities. This is likely to impact the extent that successful proposals have such a focus, but this will not be known until they are announced.

Including a specific comparative evaluation criterion in future phases of SAHF would provide a higher weighting to proposals targeting the most vulnerable communities and promote a stronger focus on priority communities.

There were mixed views from our stakeholders about setting specific targets for particular client cohorts with some arguing the SAHF is a financing rather than planning mechanism while others arguing targets would ensure access to additional homes by the most vulnerable communities. There was general support however, for the provision of additional gap payments for housing stock targeting very low-income and disadvantaged households. This would increase viability of proposals with a focus on smaller and more affordable units, which may be suitable for single older women and young people receiving the extremely low Newstart allowance.

## A stronger regional and remote focus

### **Proposal**

NCOSS proposes targeting the needs of regional, rural and remote communities where there are high levels of disadvantage through a nuanced approach and larger gap payments.

Some regional and remote communities experience significant housing stress warranting a stronger focus on these communities by future SAHF tranches. NCOSS proposes targeting regional and remote communities where there are high levels of disadvantage and where there is good access to jobs and services.

One stakeholder noted that the risk of return is too high to produce housing in remote areas and areas outside regional cities, and proposed that some system to incentivise housing projects in these areas would be needed to offset the risk of negative equity. One option is for the SAHF to offer a larger subsidy or gap payment for remote developments linked to measures of disadvantage (such as SEIFA) and perhaps giving a weighting for levels of social benefit.

NCOSS supports the quota approach and variation in project size for regional housing set in the first phase of the SAHF. However, it proposes a more nuanced and less prescriptive approach in phase 2 be adopted to project size, land ownership and financing arrangements to promote localised solutions and innovation. A more innovative approach to the type of housing for remote areas should also be explored in consultation with local communities to meet local conditions, needs and improve financial viability.

## Flexibility around land contributions and project size

### **Proposal**

NCOSS proposes flexibility to land contributions to be finalised after the tender award in line with agreed conditions and to allow use of Government land in some circumstances.

NCOSS also proposes more flexibility around project size while retaining the focus on large projects.

NCOSS supports the objective of the Fund to unlock and leverage non-government land. However, there was a view by some of our stakeholders that in some cases the timeframes did not allow for land contributions to be secured. NCOSS proposes reviewing the procurement process to allow land contributions to be negotiated and formalised after signing of the service agreement in line with specific conditions such as the size and location of the land and the timeframe for finalising negotiations.

NCOSS also proposes 'leaving the door open' to proposals that may include use of underutilised Government land. For example, in Victoria and Western Australia there has been some success in developing youth housing linked to education and training on TAFE land. There are opportunities to support such innovation through the SAHF. NCOSS proposes that phase 2 of the SAHF allow contributions of Government owned land, other than public housing land, that may be suitable for housing projects.

There was also a view by some stakeholders that the level of prescription around the preferred minimum project size is not necessary. A more flexible approach was proposed while at the same time retaining a preference for larger projects to maximise access to finance, developer partnerships and reduce administration. NCOSS proposes such a flexible approach which would encourage larger projects but allow smaller ones where they demonstrate strong outcomes in high need areas.

## Increase participation by Aboriginal organisations

### **Proposal**

NCOSS proposes a \$3 million Sector Readiness Program to build capacity of Aboriginal organisations to be active partners in SAHF projects.

Aboriginal Land Councils are major land-owners in NSW and have expressed a desire to engage in partnerships to produce social and affordable housing stock for Aboriginal People. With investment, there are huge opportunities to produce housing that works for Aboriginal people and create employment and training opportunities for Aboriginal people in the process.

Real inroads can be made to drive down the numbers of Aboriginal people waiting for social housing. This investment can be part of any SAHF type approach and be less onerous because, rather than asking Government to produce or pay for stock, it is aimed at building the capacity of Aboriginal Land Councils to unlock the value of their land holdings to meet housing needs in their communities.

There is a need to ensure that one of the largest land-holders in our State is positioned to take advantage of the opportunities it presents. While this is not yet the case-it can be.

NCOSS proposes the introduction of a SAHF Readiness Program that will build the capacity of Aboriginal organisations to be active partners in the future development and growth of social and affordable housing. This program is estimated to require \$3 million over two years, which is proposed to be funded directly by the NSW Government and not through the SAHF. NCOSS believes this funding should be channelled through a single, Aboriginal-controlled organisation that has the expertise required. This channelling will maximise the value of capacity building activities through an aggregated approach where possible. NCOSS recommends further consultation with Aboriginal organisations, including the NSW Aboriginal Land Council, regarding the details of this proposal.

## Longer timeframes

### **Proposal**

NCOSS proposes allowing at least six months between the sector briefing and the launch of the EOI process.

One of the key issues raised by some of our stakeholders was timeframe, in particular having sufficient time before the EOI launch and having enough information about requirements to prepare the ground for partnering.

One stakeholder told us that the timeframe made it difficult for and ruled out many organisations from participating. Another indicated that timing was a key barrier to accessing the SAHF and didn't take into account the time needed to develop the partnerships /relationship, secure land and for financial due diligence requirements.

This may have contributed to lost opportunities where potential proponents could identify land contributions but did not have sufficient time to negotiate the necessary partnership to unlock that contribution.

One stakeholder noted that banks/financial institutions were dealing with multiple bidders and this may have had some negative impact on timelines or created some competitive tensions for the non-SAHF financing component. A not-for-profit affordable housing financial intermediary, as proposed by the NSW Federation of Housing Associations, would enable a more efficient cluster approach to accessing and negotiating finance more efficiently.

NCOSS proposes allowing at least six months between the sector briefing and the launch of the EOI. The briefing needs to provide adequate information about requirements to allow organisations to prepare and commence partnership discussions.

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<sup>i</sup> NSW Federation of Housing Associations (2016) Addressing the Housing Affordability Crisis: Basis for an estimated need of 100,000 social housing dwellings in NSW over the next two decades.