
Chapter 6 The future of community housing

The question that Committee members ought to ask themselves is: Where should community housing be in 20 years time? What role will it play? Will it be constrained to a small, perhaps very specialised role for a highly dependent population, or will it move into a sector which, basically, takes on the private rental market where the private rental market fails? That is the critical issue. What are the conditions that would allow it to take on that wider role—to provide real choice for people in need of affordable housing? At the moment you have either got to get on a waiting list and wait for seven years before you get in, or you live in an unsuitable and highly unaffordable rental property.³⁸¹

Community housing provision varies across Australian states and territories, with New South Wales having the largest community housing sector in Australia. All jurisdictions have recognised the role of community housing as a major provider of housing, particularly for people with support or other needs. The evidence to this inquiry was overwhelmingly in support of community housing as a flexible and innovative model for the provision of accommodation and support services. This inquiry comes at a time of growing concern about the affordability of housing in this State, particularly in metropolitan and regional centres. Community housing is one model aimed at providing affordable housing to people on low to moderate incomes, or people with particular needs. This chapter looks at the future for community housing in New South Wales.

As evidence to this inquiry has shown, the community housing sector has changed significantly over the last ten years. In Chapter 2 we recommend that the NSW Department of Housing should as a matter of priority develop a comprehensive Five Year Strategic Policy Framework by 2005 to guide the future development of community housing in New South Wales. This is especially important in light of the changes that have occurred since the development of the current 1996 strategic plan for community housing. Many of the recommendations made in this report have dealt with specific changes we believe should be incorporated into the new policy document. This chapter addresses the major issues confronting the sector over the next five to ten years, and in particular options for building the capacity of the sector. The chapter considers the recent growth strategies including the increased reliance on leasehold properties and the transfer and redevelopment of public housing stock. It also considers the financing of social and community housing, and in particular the adequacy of the Commonwealth State Housing Agreement. The chapter then looks to ways to build capacity in the future, such as partnerships, title and equity. The chapter concludes with a discussion on the establishment of a housing register and crisis accommodation options.

Growth of the community housing sector

- 6.1 Nationally, the community housing sector grew from 10,000 units to over 28,000 units in the decade up to 2001, with the majority of the growth occurring in the last five years of that period.³⁸² Many believe that while that growth is significant, there is scope for

³⁸¹ Randolph, Evidence, 13 February 2002, pp5-6

³⁸² National Community Housing Forum, *Viability and Community Housing*, Discussion Series, Paper No.5, November 2001, p5

community housing to grow substantially in the next few years. Community housing currently makes up only 8.4% of the social housing system in New South Wales and many witnesses suggested that community housing should play a more significant role. As witnesses explained, there is a role for both public and community housing within the social housing mix.

- 6.2** One of the issues the sector is currently grappling with is how to deliver sustained levels of growth in community housing. In this report we have addressed a number of issues where the community housing sector is seeking to ‘grow’ the sector and make it a more efficient and effective system. For example we have dealt with amalgamations, the creation of new large organisations particularly in regional areas and the establishment of umbrella organisations such as ComHouse to provide support across the sector. We have also addressed the adequacy of management and operational policies and reporting and regulatory frameworks for improvements in corporate governance and accountability.
- 6.3** The growth of community housing over the past five to ten years has occurred in part as a result of increases in head leased properties and also from the transfer of public housing stock, and the redevelopment of that stock. These issues are discussed briefly below.

Head leased properties

- 6.4** As discussed in Chapter 2, close to half of community housing stock is head leased from the private rental market and according to a number of witnesses this is an area of tenant dissatisfaction, particularly in relation to evictions, repairs and respecting the privacy of tenants.³⁸³ Other concerns include security of tenure and the capacity of the private market to provide accessible stock, particularly for people with a disability and elderly tenants.³⁸⁴
- 6.5** The Committee understands that while there have been some negatives associated with head leasing, many in the sector believe the strategy has been effective in providing a greater number of properties than otherwise would have been available and a greater level of flexibility. It was also suggested that community housing can contribute to social housing viability in part due to its demonstrated capacity to negotiate cost effective leasing arrangements with the private sector.
- 6.6** While the strategy has been successful, the Department told the Committee that future community housing development should be focused elsewhere. As the Acting Executive Director, Office of Community Housing, Ms Alison Wannan explained:

For the future, some of the issues we are looking at are to do with umbrella management arrangements and increasing capital stock to reduce reliance on leasehold properties.³⁸⁵

³⁸³ Submission 49, Tenants’ Union of NSW Co-op Ltd, p6

³⁸⁴ See Chapter 2 for more details

³⁸⁵ Ms Alison Wannan, Acting Executive Director, Office of Community Housing, Evidence, 12 February 2002, p10

6.7 In their submission, the Department acknowledges that the limited community housing asset base inhibits the financial viability of the sector, and while the leasehold arrangements provide flexibility enabling providers to adjust to changing needs, the ratio does not allow providers to fully cross-subsidise operational costs through rent from capital properties. In addition, it requires a continued source of recurrent funding to maintain provision levels over time.³⁸⁶

6.8 In Chapter 2 we recommend that research should consider the appropriate roles and responsibilities of the private rental market in the community housing context, and the effectiveness of the relationship between the private rental market and community housing providers. In addition, the Committee supports the government's stated intention to lessen the reliance on leasehold properties.

Transfer of public housing stock

6.9 The stock transfer program has contributed significantly to the growth of the community housing sector. The New South Wales government policy of the transfer of stock is a response to a commitment made in the 1995 Housing Policy Green Paper to improve the choice for clients of government housing programs. In evidence to the Committee in 2002, the then Director General of the Department of Housing, Mr Andrew Cappie-Wood, told the Committee of some of the advantages to the transfer process:

Properties that are owned tend to be slightly newer, because of the recent growth in the community housing area, and where there have been stock transfers from public housing to community housing they have gone over with some upgrade. So, effectively, maintenance backlog has been reduced by that process, and you know it will be a better asset-to-need mix. So asset realisation in that area is less than it is in public housing.

One of the other important aspects of the community housing program is that we look to redevelop existing public housing stock that is old — say the old fibro homes on large blocks of land. Quite often we turn over some of those redevelopment sites to community housing. So this stock is new, providing a much more cost-effective way of utilising the value of the land and, in the process, providing targeted and well-designed accommodation.³⁸⁷

6.10 There have been some successful examples of the transfer of public housing projects to community housing. One such example is the transfer of Proctor Way in Airds to Argyle Community Housing. The Claymore housing estate located in Airds had been experiencing bad publicity for many years.³⁸⁸ Despite a long waiting list of people wanting accommodation, the Department of Housing had difficulty placing people in the housing project.³⁸⁹ In 1995 the Department of Housing approached Argyle Community Housing to

³⁸⁶ Submission 54, Department of Housing, p64

³⁸⁷ Cappie Wood, Evidence, 12 February 2002, p2

³⁸⁸ National Community Housing Forum, available at: <http://www.nchf.org.au/improve.htm#build>

³⁸⁹ Department of Family and Community Services, available at: <http://www.facs.gov.au/cando/casestudies/proctor.html>

begin a trial management of 25 properties in Proctor Way.³⁹⁰ Argyle initiated a number of community building strategies including community meetings, social activities, regular clean-ups and opportunity for tenants to become involved in management and decision making processes.

- 6.11** According to evidence, the success of the transfer of stock to Argyle Community Housing was also due to links with many support services and other organisations in the area, including church based support:

Argyle has attracted additional support providers to the area. In 1996, in response to a need identified by Argyle, the Sisters of Joseph moved to a house in Proctor Way. This group provided 24-hour community support, material aid, adult literacy and homework tutoring for school aged children.³⁹¹

- 6.12** Proctor Way is now a flourishing community, with Argyle Community Housing managing more than 80 properties in the area. The coordinator of Argyle Community Housing, Mr Brian Murnane, said that one of the keys to the success of the Proctor Way development has been the support services' involvement:

Development of good links with local community service agencies has been an important and effective way of addressing the support needs of our tenants.³⁹²

- 6.13** Some in the sector told the inquiry that there should be greater consideration of expanding the stock transfer program, particularly in rural and regional areas. The Federation of Housing Associations argues that options for the stock transfer of public housing in small towns should be investigated on the basis of potential cost saving:

Firstly, there would be no duplication of effort currently expended on managing two small portfolios. The costs of providing two separate sets of infrastructure in the same town would be reduced ... Secondly, we know that community housing costs reduce per unit as the size of the portfolio increases. ... Thirdly, housing associations are able to source local maintenance services quickly and efficiently (and) Fourthly, a high ratio of capital properties to total portfolio in a medium to large organisation results in financial viability.³⁹³

- 6.14** As discussed earlier in this report, other witnesses believe that the lack of choice in many rural towns is one of the most significant problems facing tenants in rural and regional New South Wales. Many believe that the transfer of stock to a single housing provider in small towns would further diminish tenant choice.

³⁹⁰ Department of Family and Community Services, available at: <http://www.facs.gov.au/cando/casestudies/proctor.html>

³⁹¹ Submission 27, Churches Community Housing, p7

³⁹² Department of Family and Community Services, available at: <http://www.facs.gov.au/cando/casestudies/proctor.html>

³⁹³ Submission 34, NSW Federation of Housing Associations, p116

6.15 Shelter NSW, while supporting stock transfer as one way to provide positive outcomes for tenants within the social housing system, argues that there are a number of issues that need to be considered prior to any transfer of stock. While most transfers have occurred through the transfer of untenanted redevelopment sites, there are a small number of tenanted transfers. Shelter stresses the importance of preserving the rights of tenants in tenanted stock transfers. In this regard, they recommend that tenants should have the right to choose either individually or collectively via ballot if they wish to transfer, choose between different providers and have their rents and conditions guaranteed after the transfer.³⁹⁴

6.16 In a recent study, Dr Michael Darcy discovered some disturbing facts about the current transfer arrangements and its impact on tenants:

The way that stock is being transferred at the moment is excluding tenants, I believe. The recent study I did over the last year or two was initiated by New South Wales Shelter. It had tenants coming to it saying, "Community housing is supposed to be about choice. We have basically been presented with no choice at all. We have been told our house is being transferred to the community housing organisation. Our choice is transfer to the community housing organisation or move." That was a fairly disturbing report for me to hear. I have been a promoter of community housing, and I still am. I am not arguing for a minute that we should go back to the old public housing system, that we should not have multiple providers and so on. But that report was very disturbing to me. When we went into this study in a more detailed way and looked at how stock was being transferred in various places, we discovered that while the overarching aim of having multiple providers was supposed to be about tenants' choice, the way that this has translated into operational policies is actually taking choice away from tenants. That is because transfers are being treated as property transactions and have nothing to do with the preferences of tenants.³⁹⁵

6.17 Dr Darcy explained that property transactions are transferred in large blocks which means that a whole multi-storey building, a street or group of streets will be transferred. Dr Darcy told the Committee he was unclear on the reasoning for this:

The protocol that was developed between the Office of Community Housing and the department states that is because they have to be capable of separate title. In fact, in most of those cases, they are not on separate titles at all; they are on super lots because the public housing system has been developed in ways to get around the planning system. There are hundreds of houses on a single title. Even when you transfer 50, 60 or 100 units at a time, they are not actually capable of separate title without all sorts of work being done to move pipes and wires and all sorts of other things to enable that to happen.³⁹⁶

6.18 Dr Darcy speculated on the reasons why the sites are being transferred in this way:

³⁹⁴ Submission 47, Shelter NSW, p25

³⁹⁵ Dr Michael Darcy, Senior Lecturer, School of Applied Social and Human Sciences, University of Western Sydney, Evidence, 13 February 2002, pp19-20

³⁹⁶ Darcy, Evidence, 13 February 2002, p20

They are being transferred in large lots to suit the management needs of both the public and community housing organisations. The management needs of the public housing authority are often, in the cases we identified, the problem street or the problem block which the public housing organisation wants to get rid of. The public housing authority would go about decanting the tenants. If it could not decant the tenants, it would tell the tenants they would have to go to the community housing organisation with the house or be moved somewhere else. So it could break up a problem block or problem street and divest itself of the problem. The community housing associations see it in a slightly different way. They see it as being more efficient in terms of their tenancy management, but also in terms of tenant participation and community development type activities, if all of their tenants are in one street or one block. That makes it easier for them to get tenant organisation going and so on.³⁹⁷

- 6.19** Dr Darcy suggested that many of the public housing estates have been just as effective as community housing associations in building tenant involvement and community participation. For example, the Riverwood housing estate, as part of the neighbourhood improvement program, provided for a community development worker funded by the Department of Housing to assist with building tenant councils, community involvement of tenants and so on. Dr Darcy explained that the initiative was largely based on the fact that people have a common interest in that they have a single landlord and can get involved in street issues, security, tree planting and fencing:

When the department decided to transfer stock to the association...in blocks, away from that, the community development worker there was at a loss. She could not understand, she saw that as being completely counter to the whole effort that she had been asked to put in over the past three or four years. Effectively it was breaking up the estate on which she had based her community development work so that someone else could do microcommunity development within the estate.³⁹⁸

- 6.20** According to some witnesses, one of the driving forces behind the transfer of stock is that the single public landlord needs to be broken up into more diverse management structures. The Committee was told that one difficulty with this process is that tenants do not get a lot of say in these decisions. Dr Darcy again:

Fairly clearly, when you get into the process—and I have been closely involved in that through the Housing Assistance Plan Advisory Committee—the main motivator for the transfer program is basically to grow the community housing sector as fast as possible so that we can see whether it is comparable. The victim of that in the short term is real choice and real participation for tenants.³⁹⁹

- 6.21** Professor Randolph also suggested that more needs to be done to ensure greater levels of tenant participation:

...one of the problems with the big stock transfers that has come up in recent years is that they have been criticised for essentially being lumps of local

³⁹⁷ *ibid.*

³⁹⁸ *ibid.*

³⁹⁹ Darcy, Evidence, 13 February 2002, p21

authorities which have been seen off and essentially has not changed their management structures. There is a new proposal to put together things called community mutuals and these are housing associations which essentially have a much higher level of tenant involvement and are essentially owned by their tenants. ... Different models are being developed all the time to address some of the critical issues facing associations in the United Kingdom. Some of these new models that involve greater levels of tenant participation and some sort of mutual ownership might offer some potential solutions, particularly if we are talking about breaking up the large DOH structure and evolving it.⁴⁰⁰

6.22 The Committee understands that many in the sector support the strategic transfer of stock to community housing providers where there is clear evidence that the transfer will result in improved outcomes for tenants, as well as a more efficient and effective social housing sector. Others argue that transfer can provide worthwhile management improvements, but it is not a valuable growth strategy. Witnesses suggested that the transfer of stock is not the answer to the affordable housing crisis, as it does not add to the overall social housing stock:

I do not think growing community housing by shifting stock from the public housing sector for that very reason is an answer. That is not what we are proposing. Stock transfers are a reasonable option for some management reasons. We spell out very carefully in our submission that there are often good community development and management reasons to negotiate stock transfers from public housing to community housing. But simply to use that as a mechanism to grow community housing at the expense of public housing is not a strategy that we are recommending or supporting.⁴⁰¹

6.23 The Committee understands there are many advantages to the stock transfer program, redevelopment and the relocating of public housing stock to the community housing sector. Evidence has shown that there are advantages in the management of stock including more efficient maintenance services and improved community development. There are however a number of issues of concern, particularly in relation to tenants' rights to choose their type of housing and participation in decision making and management.

6.24 In light of this, Committee believes that for any future transfers of public housing stock to community housing, every effort should be made to ensure tenants who may be affected by the transfer are consulted in the decision making process. In addition, the Committee believes that the government should ensure that where a transfer occurs, all efforts are made to involve tenants in developing the new organisation and management structure.

⁴⁰⁰ Professor Bill Randolph, Professor, Urban Development, University of Western Sydney, Evidence, 13 February 2002, p13

⁴⁰¹ Ms Mary Perkins, Executive Officer, Shelter NSW, Evidence, 16 April 2002, p5

Recommendation 25

That the Department of Housing ensure that tenants who may be affected by transfer of public housing to community housing be consulted in the decision making process. In addition the Committee believes that the Department should ensure that where a transfer occurs, all efforts are made to involve tenants in the new organisation and management structure.

- 6.25** In relation to building the capacity of community housing, the Committee acknowledges that the transfer of stock has resulted in a significant growth of community housing stock. The issue of ways to increase the investment in the sector is discussed below.

Financing the community housing sector

- 6.26** The issue of the growth of the sector is contentious, particularly in relation to whether the growth should be the responsibility of the private sector or based on public subsidies, or a combination of both public and private investment. In this section we consider the adequacy of the current financing of the community housing sector, including the Commonwealth State Housing Agreement and rents and Commonwealth Rent Assistance. We also consider the evidence from witnesses proposing ways to attract funding to allow for the growth of the community housing sector.

The Commonwealth State Housing Agreement

- 6.27** As noted earlier in the report, the Commonwealth State Housing Agreement is the primary source of funding for rental housing assistance in New South Wales. Mr Andrew Cappie-Wood explained that the factor shaping the social housing support system generally is the “nature of the funding flows”:

The biggest underpinning element of that is the Commonwealth State Housing Agreement, which sees the Commonwealth and State governments entering regular agreements for future funding, usually on a four-year cycle. At this point in time the Commonwealth-State has an agreement as seeing the steady reduction in funds into the social housing system.

Since 1995-96 there has been, in 2001 real terms, across Australia a \$290 million reduction in funding going into the social housing system. In New South Wales that represents close to \$70 million in 2001 terms in that period of time. We are in a shrinking funding environment and that is placing pressure upon the whole system to make sure that it is as efficient and effective as possible. There are some legacies of previous Commonwealth-State Housing Agreements and these agreements go right back to the early 1940s. In the past the Commonwealth has insisted that the States borrow funds for the provision of public housing, which has accumulated a very large debt and the public housing system currently services that debt, which costs \$85 million a year. Most of that comes from tenant rents.⁴⁰²

⁴⁰² Cappie-Wood, Evidence, 12 February 2002, p2

6.28 According to ACOSS, CSHA funding has declined in real and nominal terms since 1991-92. They argue that in 1996 the CSHA brought in a series of funding cuts which reduced the Commonwealth's contribution to funding since that time. While \$89.7 million was negotiated with States and Territories for GST compensation, ACOSS suggests that the package can not be regarded as additional funding for housing, "as it is compensation for the higher costs now borne by housing authorities."⁴⁰³

Table 2: Government expenditure on Commonwealth State Housing Agreement assistance in nominal and real terms since 1991-92 and the total number of public housing units.

Financial year	Actual CSHA funding \$m	GST compensation \$m	CSHA funding (less GST comp.) in real terms 2000-01 dollars	Number of public housing units At 30 June
1992-93	1 485.4	—	1 716.9	360 909
1993-94	1 419.6	—	1 623.8	366 746
1994-95	1 509.6	—	1 600.6	n/a
1995-96	1 489.8	—	1 643.5	n/a
1996-97	1 353.4	—	1 468.3	358 068
1997-98	1 207.4	—	1 293.2	360 577
1998-99	1 276.6	—	1 363.1	362 447
1999-2000	1 331.0	—	1 394.2	362 967
2000-01	1 406.5*	89.7	1 316.8	n/a
2001-02	1 392.4*	89.7	1 264.8	n/a
2002-03	1 387.4*	89.7	1 229.6	n/a

Source: Department of Family and Community Services unpublished data and Annual Reports of the Housing Assistance Act⁴⁰⁴

* Includes additional amount for GST compensation

6.29 In a 2001 discussion paper, the National Community Housing Forum argued that one of the crucial drivers of change for the sector is to secure ongoing resources. They suggest that the current CSHA is not large enough to deliver a sufficient level of growth to make a difference. They argue that regardless of whether or not the sector seeks rapid growth, "we need to find ways to face the fact that the future of the CSHA as an ongoing source of capital grants is now uncertain."⁴⁰⁵

⁴⁰³ ACOSS, *Public and community housing: a rescue packaged needed*, ACOSS INFO 323, 14 October 2002, p3

⁴⁰⁴ ACOSS, *Public and community housing: a rescue packaged needed*, ACOSS INFO 323, 14 October 2002, p3

⁴⁰⁵ National Community Housing Forum, *Viability and Community Housing*, Discussion Series, Paper No.5, November 2001, p6

Rents and Commonwealth rent assistance

6.30 One of the problems for community and public housing is the falling income levels of social housing tenants and thus the falling income streams associated with the current income related affordable rents. According to the National Community Housing Forum (NCHF), income related rents mean that community housing becomes part of the income support system or in other words becomes “welfare housing”. NCHF are not arguing that welfare housing does not have an important role in the housing market, rather, that it should not be the only role for the community housing sector.⁴⁰⁶ As rents constitute a housing provider’s income stream, the rent policy has a major impact on the viability of those providers. For this reason, HCHF argue:

The twin issues of affordability and viability and the need to find additional, private sector dollars for social and affordable housing means a review of rent policy is going to be a crucial element of sector development.⁴⁰⁷

6.31 As a number of witnesses have identified, one of the ways that community housing could be made more viable is by community housing tenants attracting Commonwealth Rent Assistance (CRA) to contribute to the total rental costs.⁴⁰⁸ Commonwealth Rent Assistance is paid to individuals and families who are renting privately or who are in community housing and receive some other welfare payment. Public housing tenants are currently not eligible for CRA. While CRA is the major mechanism for achieving affordability for tenants in community housing (and in the private market), the National Community Housing Forum suggests that the “ceiling structure is set so low that in many markets tenants still struggle with their housing costs.”⁴⁰⁹ In a recent paper, joint authors National Shelter and ACOSS conclude that while the Rent Assistance program does assist with affordability for some recipients, it fails to deliver affordability for over one third of Rent Assistance recipients. In particular, they found that:

- 35% of Rent Assistance recipients exceed the Commonwealth government’s own measure for housing affordability by spending more than 30% of their income on rent
- 9% of recipients spend more than 50% of their income on rent
- Over the past ten years, housing support has shifted away from the supply of low-cost public and community housing and towards direct financial assistance. (In the ten years to 2003-04, Commonwealth spending on Rent Assistance increased by 7% in real terms to \$1.92 billion while base grant funding to the CSHA decreased by 54% to \$1.28 billion)

⁴⁰⁶ National Community Housing Forum, *The CSHA, workforce disincentives, rents and private finance*, Policy Advisory Committee (PAC) Discussion Paper, March 2003, p3

⁴⁰⁷ *ibid*, p4

⁴⁰⁸ ACOSS, *Public and community housing: a rescue packaged needed*, ACOSS INFO 323, 14 October 2002, p6

⁴⁰⁹ National Community Housing Forum, *The CSHA, workforce disincentives, rents and private finance*, Policy Advisory Committee (PAC) Discussion Paper, March 2003, p2

- There are higher numbers of Rent Assistance recipients in areas where there is high unemployment, which suggests that on its own the Rent Assistance is not providing low income people with the flexibility to move to areas of higher employment
- There are significant disparities between capital city rents paid by low income people and those paid by people in regional areas. Rents in Sydney are on average \$68.86 a fortnight higher than those elsewhere in NSW
- Rent assistance is not available to students over 25 years in receipt of Austudy or people on low wages.⁴¹⁰

6.32 The study suggests that these results call into question the adequacy and structure of the Rent Assistance program and therefore:

ACOSS and National Shelter recommend that a more thorough review be undertaken of the efficacy of the Rent Assistance program in delivering housing affordability to low income Australians. Such a review should examine regional variations in rent; the effectiveness of the program to assist people to 'move to where the jobs are'; and the benefits of a possible rebalancing of Australian Government funding for housing assistance towards improving the supply of affordable housing.⁴¹¹

6.33 According to the Department of Housing, currently only a small proportion of Rent Assistance is recouped by community housing providers and options to secure greater social housing benefits are being investigated.⁴¹²

Attracting funding for the growth of the sector

6.34 A number of witnesses argued that there is a need to find a more flexible and choice-driven affordable housing market. Professor Randolph suggested that, if the community housing sector is to significantly expand, strategies other than stock transfer must be considered, including attracting private investment and rent setting.

A lot of the public housing stock in New South Wales is in family housing when we know that that is not where the growth of the sector will be. The growth of the sector will be in small housing. It is in the wrong location. Public housing is very much involved in trying to address those issues. Community housing could play a real role there ... This issue of attracting private funding I think is critical. If community housing carries on doing what it is doing it will get better at what it is doing. It could carry on what it is doing for the next 10 or 20 years and it could grow modestly. ...

⁴¹⁰ National Shelter and the Australian Council of Social Service (ACOSS), *Rent Assistance: does it deliver affordability?*, September 2003, p4

⁴¹¹ *ibid*, p4

⁴¹² Submission 54, Department of Housing, p63

I think the issue of attracting private funding is tied up with a number of quite complex issues. There is the issue of high rents. We all know that rents are set on affordable criteria, which is a good thing and we would not want to decry that. Interestingly, if you read a lot of the literature about community or public housing, nobody mentions rents at all, whereas in the United Kingdom rents are at the centre of the system. Associations are allowed to charge cost rent to cover their costs. If you ask people about cost rents here they do not know what you are talking about. That is critical because it means that people who run housing associations and social housing providers know what it costs to do that business. They form their judgments, their decision making and their management structures and all the rest of it to ensure that those costs are minimised and that public funds are used effectively.⁴¹³

6.35 As evidence has demonstrated, funding from the CSHA is declining and in this environment it is very difficult to imagine that with the CSHA as the main funding source, social housing can grow. One of the issues for the government and sector to decide is exactly what role community housing will play in the next ten to twenty years. That is, will community housing be a small and specialised sector for primarily low income tenants with complex needs, or will it expand into a sector which, in the words of Professor Randolph “takes on the private rental market where the private rental market fails?”⁴¹⁴ This will have a major impact on the nature and level of the funding that will be required to support the sector. The Community Housing Federation of Australia (CHFA) in a recent policy document argues that there is “value in the development of community housing as both niche *and* volume providers of low cost housing.”⁴¹⁵

6.36 Many witnesses argue that community housing must continue to attract financing from external sources, including other government agencies and community or private sector sources, if it is to have long term sustainability. In the event of increased private sector finance, existing standards and regulations such as the National Community Housing Standards and National Accounting Framework will need to change to provide the private sector with the necessary guarantees for security:

(As) the sector moves towards using private finance to fund growth the standards may need to incorporate a greater emphasis on issues like risk management, in order to provide greater assurance to the private sector.⁴¹⁶

6.37 The Committee has recommended in Chapter 2 that the Department of Housing should develop a comprehensive Five Year Strategic Policy Framework by 2005 to guide the future development of community housing in New South Wales. We believe that in the development of that strategy, the government must consider whether community housing

⁴¹³ Randolph, Evidence, 13 February 2002, pp5-6

⁴¹⁴ *ibid.*

⁴¹⁵ CHFA, Development of a viable and sustainable Community Housing sector – draft, 2001, p.1, in National Community Housing Forum, *Viability and Community Housing*, Discussion Series, Paper No.5, November 2001, p8

⁴¹⁶ National Community Housing Forum, *Viability and Community Housing*, Discussion Series, Paper No.5, November 2001, p11

is to take on the wider role and provide greater options for affordable housing across metropolitan, regional and rural New South Wales. While there are obvious cost implications in the expansion of the sector, the Committee firmly believes that given the considerable waiting lists in public and community housing, the rising housing costs and, as outlined in Chapter 2, the anticipated rise in 'stressed households', the New South Wales Government should look to expanding the community housing sector. The Committee firmly believes that the government needs to clearly articulate a policy commitment to the creation of new opportunities for growth and ensuring a diversity of contributions from public and private investment.

- 6.38** In relation to the responsibilities for funding, the Committee believes that social housing should be the responsibility of both government and non-government agencies. The Committee supports the evidence that, without attracting alternative sources of funding including other government agencies and community and private investment, there is little likelihood that the sector will be capable of significant growth. However, the Committee would not encourage the reduction in public subsidy and would like to see further discussions occur between State and Federal governments on the possibility of improvements to the current arrangements for rental assistance and changes to rent subsidies. The Committee notes that the NSW Department of Housing in its submission pointed to the need for assessment of rent policy eligibility criteria and management options to maximise benefits from Commonwealth Rent Assistance within the social housing system.⁴¹⁷ We believe that the issue of rent policy is central to ensuring the affordability and viability of the community housing sector.
- 6.39** In relation to the decline in funding coming to State and Territory governments through the CSHA, the Committee believes that the State Housing Authorities should continue to negotiate with the Commonwealth government to provide greater investment in social housing. Based on the evidence presented to this inquiry, the Committee believes that the viability of public and community housing is seriously compromised by the chronic under-funding by the Federal government.⁴¹⁸ While this Committee is unable to make direct recommendations to jurisdictions outside New South Wales, we encourage the Federal government to reconsider the current funding arrangements for social housing, and in particular the funding provided under the CSHA. In addition, the recommendations made by ACOSS, National Shelter and others about the need for a thorough review of effectiveness and efficiency of the Rent Assistance Program in delivering housing affordability to people on low incomes should be drawn to the Federal government's attention.

⁴¹⁷ Submission 54, Department of Housing, p66

⁴¹⁸ See in particular, ACOSS, *Public and community housing: a rescue packaged needed*, ACOSS INFO 323, 14 October 2002

Recommendation 26

That the Department of Housing ensure that the Five Year Strategic Policy Framework includes a commitment to the creation of new investment opportunities and considers the most appropriate public and private funding options. In particular, the Department of Housing should review the current rent policy with a view to ensuring the affordability and viability of the community housing sector.

Recommendation 27

That the Minister for Housing bring to the attention of the Federal Minister for Housing, the need for a thorough review of the efficacy of the Rent Assistance program in delivering housing affordability to low income Australians.

State Environment Planning Policies

6.40 A small number of witnesses to the inquiry noted that State Environment Planning Policies had the potential to increase social housing stock provided by other agencies. State Environment Planning Policies (SEPPs), administered by the Department of Infrastructure, Planning and Natural Resources, “deal with issues significant to the state and people of New South Wales.”⁴¹⁹ According to the government website, they are made by the Minister for Planning and may be exhibited in draft form for public comment before being gazetted as a legal document.⁴²⁰ While there are currently over 70 SEPPs in existence, there are three relevant SEPPs relating to housing policies: SEPP 5 for housing aged and disabled persons; SEPP 10 – retention of low-cost rental accommodation; and SEPP 70 – affordable housing.

6.41 SEPP 5 aims to increase the supply and choice of housing for older people or people with a disability. According to the website, such housing is permitted, with council consent, wherever houses, flats, hospitals or ‘special uses’ are permitted in or adjoining urban areas, except for some environmentally sensitive lands. The policy contains development standards and the issues that councils must consider when determining development applications.

For example, the council must be satisfied that future residents will have reasonable access to services they require, taking into account, convenience, affordability and the type and scale of housing. SEPP 5 Guide should be read in conjunction with this policy.⁴²¹

6.42 In relation to SEPP 5, in a recent statement the Minister for Planning and Infrastructure, Hon Craig Knowles, MP explained that the State government would review SEPP 5 and

⁴¹⁹ www.planning.nsw.gov.au/asp/sepp.asp, p1

⁴²⁰ *ibid*, p1

⁴²¹ www.planning.nsw.gov.au

“work towards a more focussed housing strategy for older people and people with disabilities.”⁴²²

A key objective of the review would be to eliminate developers exploiting SEPP 5 by building medium density housing projects that don't cater for older people and people with disabilities.⁴²³

- 6.43** The Committee understands that, while not dealing exclusively with providing low cost housing, SEPP 5 increases the housing options for older people and people with disabilities across income groups, particularly in rural and regional areas, by increasing supply and moderating housing prices.
- 6.44** SEPP 10 aims to retain stock of low cost rental accommodation available in identified areas of the State. While originally applying to the inner suburbs of Sydney, Newcastle and Wollongong, SEPP 10 now covers the 53 local government areas in the Greater Metropolitan Region. The government website explains that the policy requires the local council's consent, and the Director-General of the Department of Urban Affairs and Planning's concurrence, to “demolish, alter or change the use of a boarding house.” Consent is also requires to strata-subdivide a low-cost residential flat building or boarding house. The policy also required that, before granting consent or concurrence, the council and the Department take into account the availability of comparable accommodation, however it is not mandatory for them to refuse a proposal if such accommodation is not available.⁴²⁴
- 6.45** The State Environmental Planning Policy 70 - Affordable Housing (Revised Schemes) identifies the need for affordable housing provisions in the greater metropolitan region. Gazetted in May 2002, the SEPP 70 extends the life of affordable housing provisions relating to the City West project (Sydney Regional Environmental Plan No. 26), Willoughby Local Environmental Plan 1995 and South Sydney Local Environmental Plan 1998. According to the government website, schemes such as these are helping to provide affordable housing in areas undergoing significant redevelopment.⁴²⁵
- 6.46** According to People with Disabilities (PWD) the Affordable Housing State Environment Planning Policy held great promise in providing stock to other agencies such as local government for the provision of social housing. PWD in their submission suggest that “developer resistance” had stalled the project.⁴²⁶ PWD also argue that the current project is limited to major development in larger centres such as Sydney, and this does not address the critical issue of accessible stock availability in rural and regional New South Wales.⁴²⁷

⁴²² Hon C Knowles, MP, Minister for Planning and Infrastructure, ‘Review of SEPP 5’, Media Release, 28 May 2003, p1

⁴²³ *ibid*, p1

⁴²⁴ www.planning.nsw.gov.au

⁴²⁵ *ibid*.

⁴²⁶ Submission 43, People with Disabilities, p4

⁴²⁷ *ibid*, p4

- 6.47** As the Committee received very little information on the state environment planning policies it is difficult for us to make firm conclusions on the SEPPs' capacity to assist people with their housing needs. We note however, that SEPPs may possibly provide opportunities to grow the community housing sector. On the limited evidence available to us, we believe there is value in further exploring the use of these plans to support partnerships arrangements with other government and non government agencies in the provision of affordable housing. In particular, we encourage the Department of Planning and Infrastructure to complete its review of SEPP 5 with a view to ensuring housing projects adequately cater for older people and people with disabilities, particularly for people on low incomes. In relation to SEPP 70, we believe that this policy provides the potential for the increased involvement of local government in social housing provision. The Committee supports the comments made by People with Disabilities that consideration needs to be given to the expansion of the policy to areas of need in regional and rural centres.

Recommendation 28

That the Department of Infrastructure, Planning and Natural Resources ensure that the review of SEPP 5 – Housing for Aged or Disabled Persons is completed in a timely manner with a view to ensuring housing projects adequately cater for older people and people with disabilities, particularly for people on low incomes.

Recommendation 29

That the Department of Infrastructure, Planning and Natural Resources ensure that SEPP 70 – Affordable Housing is actively explored as a option to provide affordable housing in areas undergoing redevelopment in the greater metropolitan region. In addition, the Department should consider options for affordable housing in areas undergoing significant redevelopment in rural and regional centres.

Ways to build capacity

- 6.48** We received a considerable amount of evidence on the ways to expand the sector and develop the capability of the community housing sector. In their submission to the inquiry the Department of Housing outlined their priorities over 1999-01 as:

... the expansion of community housing in high need areas, the increased provision of supported housing, the development of additional new partnerships with local government, churches and community organisations, the provision of additional housing in rural NSW and the gradual expansion of the co-operative housing sector. An overarching objective was to enhance the financial viability of the community housing sector.⁴²⁸

⁴²⁸ Submission 54, NSW Department of Housing, p28

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- 6.49** In this section, we consider the expansion of community housing through housing partnerships and the issues of title and equity for churches and for housing associations and co-operatives.

Encouraging housing partnerships

- 6.50** One means by which the community housing sector could be expanded is through increased use of housing partnerships. Housing partnerships between the Department of Housing and other organisations such as churches, local government authorities and charities currently account for 5% of community housing properties. Churches manage approximately 4% of community housing properties in New South Wales (423 properties), while some 127 properties are managed by local government authorities.⁴²⁹

- 6.51** Churches Community Housing noted the great potential for housing partnerships to provide more housing resources to people in need:

Public church partnerships have a proven record of delivering housing options for a wide range of people... By using a vacant or under-utilised church asset as a base for a social housing development, government's capital investment is greatly reduced. Churches hold significant assets in high need areas. Often these areas have little or no land available for purchase. When land is available it is generally outside of the cost-benefit parameters of public agencies. By entering into a public church partnership under-utilised church owned land can be made available to deliver improved housing outcomes in areas government would otherwise be locked out of under current budget parameters...

Many churches and particularly church agencies are looking to develop their assets for community housing. The potential is enormous and largely untapped. Not only are community housing units delivered but also integrated care management packages are often included in these projects.⁴³⁰

- 6.52** An example of a successful partnership model is the partnership between the Balranald Shire Council (BSC) the Deniliquin Community Tenancy Scheme (DCTS) and MacKillop Rural Community Services (MRCS). The submission from MRCS explained the establishment of the partnership:

The partnership has been successful in obtaining from the Office of Community Housing (OCH) funding for the construction of six independent living units for young adults with an intellectual disability... The application to OCH included provision of land by BSC, a commitment from MRCS to ensure the provision of support services for the tenants and DCTS managing the tenancy.⁴³¹

- 6.53** Departmental initiatives in support of housing partnerships have included funding of \$15 million per year under the *Community Housing Strategy*, supporting the establishment of Churches Community Housing as the representative and resourcing body for churches

⁴²⁹ Submission 54, p13

⁴³⁰ Supplementary Submission 27, Churches Community Housing, p6

⁴³¹ Submission 38, MacKillop Rural Community Services, p2

involved in community housing provision, and funding to assist the Local Government and Shires Associations to employ a housing policy officer.⁴³²

6.54 The Local Government and Shires Associations of NSW (LGSA) argued that this compares unfavourably with other jurisdictions where partnership initiatives are funded and supported more extensively. For example, in Victoria, the Social Housing Initiatives Program provided \$92 million to community partnerships over a three-year period.⁴³³

6.55 The LGSA believes that the interest of local government authorities in participating in housing partnerships is not matched by the Department's interest in facilitating them:

Local Governments' historical commitment to community housing has primarily involved the provision of land. However, it has also extended to undertaking the role of project development manager and financial management, to fast tracking the building and development approvals, the waiving of fees, coordinating the architectural design of the project, providing the landscaping and the internal fit out of properties.⁴³⁴

... it would be fair to say that the Department of Housing's Community Housing programs have not effectively been opened up to other stakeholders, such as local government, for partnership projects. Often there has been significantly more interest in undertaking joint housing projects amongst councils than there has been funding made available. While it is recognised that funding is limited and the Department of Housing has an obligation to deliver a wide range of housing options that are appropriately located, councils have been inadequately informed of joint funding opportunities. The allocation of specific funding to joint projects, clear timeframes for submitting applications and some well-developed funding models would significantly guide and promote innovation. Such improvements in joint funding options would result in State government funding for social housing provision being stretched further.⁴³⁵

6.56 The example of North Sydney Council, which had a four year joint venture with the Department of Housing between 1995 and 1999, is cited to illustrate problems with establishing and maintaining partnerships:

North Sydney Council recognised that it was becoming harder for the Department of Housing to purchase or build social housing in the local area. As a result Council, using funds from its own capital works reserve and funding secured through Section 94 (Environmental Planning and Assessment Act) from the private sector for the loss of low cost housing stock, agreed to combine these funds into an agreed three year funding program with the Department. This process ensured that social housing continued to be developed in the local area in line with local priorities. Management of this housing stock is undertaken by Community Housing Lower North Shore.

⁴³² Submission 54, Department of Housing, pp11-13

⁴³³ Submission 20, Hume Community Housing Association, p3

⁴³⁴ *ibid*, p2

⁴³⁵ *ibid*, p3

This like several other initiatives was a one off. Much effort and good will was invested by the Council, the local community housing provider and the Department in this project. Unfortunately, it would appear that the model has not been widely publicised nor assessed as to its application across a broader field of stakeholders.⁴³⁶

6.57 The LGSA considers that the Department of Housing has provided inadequate encouragement for participation in housing partnerships:

To date, there has been little leadership taken by the NSW State Government to encourage information exchange and discussion about alternative State based partnership funding models for application by the community housing sector...

This lack of information across the sector is highlighted in the unresolved issue about amortisation. This is a major issue not just for local government but also community organisations with assets. There have been numerous councils interested in contributing land to address local housing issues, however similar to the State government, they want to exercise caution in protecting their assets in the long term. There is no clear State government recognition of these concerns, nor the development of a transparent policy and program that clearly applies to all potential partners. At present, partnership projects are negotiated by the State government on an individual basis, little accessible information is available on these projects about each partners' financial contribution, how risk is shared and title arrangements.⁴³⁷

6.58 The Committee believes that the Department should consider means by which housing partnerships can be facilitated. Specific recommendations are made below.

Title and equity: Housing partnerships

6.59 Disagreements over title and equity arrangements for housing partnerships are argued to be a significant impediment to the establishment of new housing partnerships. At present the Department of Housing usually requires a *tenants-in-common* title for housing developed as a result of partnerships, with equity shared in the same proportion in perpetuity.⁴³⁸ Churches Community Housing argue that this creates inequities for the partner who has brought the land to the project, "because the land values will increase over time while what is built on the land will depreciate."⁴³⁹ Moreover, that partner is expected to give up sole title over the land being brought to the partnership.

6.60 Churches Community Housing explained the impact:

⁴³⁶ Submission 20, Hume Community Housing Association, p3

⁴³⁷ *ibid*, p4

⁴³⁸ Supplementary Submission 27, Churches Community Housing, p7

⁴³⁹ *ibid*.

As churches normally contribute the land component in a public church partnership they often express a number of significant concerns with this ... leading to withdrawal of the offer in many instances.⁴⁴⁰

6.61 The obstacle is not only the inequity of the situation: there are often legal and philosophical impediments as well:

Churches approach the question of title and equity from the perspective of *stewardship* and legal rights and responsibilities. Churches have a sense of *stewardship* over the property that has been entrusted to their care. This sense is based on the notion of “holding in trust” for future generations what has been developed by past and current generations over the years. As well, each major denomination has been established and is governed by an Act of Parliament. Ordinances under each Act govern their dealings with property to which they are stewards in trust. Consequently, for many churches, legal and institutional restrictions will not allow them to share, diminish or relinquish title. These twin realities of stewardship and legal responsibilities have not been fully understood or appreciated by public agencies in relation to housing projects.⁴⁴¹

6.62 The NSW Ecumenical Council made a similar argument in its submission:

There is a strong desire to work together in the area of housing and considerable goodwill on the part of both the churches and the State Government. Nevertheless, there are barriers which often stop potential partnerships from going ahead. The most important of these barriers relate to who holds the equity in the land and buildings of the partnership community housing ventures. While it has not always been the case, in recent years the Department of Housing typically requires equity to be shared between the relevant church and the Government, using the “tenant in common” form. This freezes the Government and the churches proportionate shares in perpetuity ...

In some denominations there are legal difficulties which present virtually insurmountable obstacles to transferring title in the way current Department of Housing Policy appears to require. Similarly, in at least one denomination, mortgages on church land are not allowed ...

The Government retains the same proportion of the equity throughout the partnership but in the long run the relative contributions of the partners may be very different from the initial proportions. Churches typically bring land to the partnership while the Government may fund the buildings constructed on the land. In general land values increase while buildings depreciate. The churches may even have funded the maintenance of the buildings. It is considered unjust by some if the equity shares are frozen in the proportions of the resources that the partners initially bring to the venture and do not take account of the changing value of contributions over time.⁴⁴²

6.63 On this subject, Churches Community Housing submitted:

⁴⁴⁰ *ibid.*

⁴⁴¹ *ibid.*, p5

⁴⁴² Submission 32, NSW Ecumenical Council, p3

The concept of partnerships as a way of maximising resources to generate new community housing units has received a lot of attention. However, the potential for partnerships in New South Wales is far from realised. Over the last twelve months \$10 million dollars worth of church assets have been proposed for public church partnerships (representing 8 different churches/agencies) with only \$3.6 million likely to progress. Of those progressing, projects that are located in the inner ring of Sydney will usually have churches contributing between 50% to 60% of the equity with the public agency contributing the remainder. The other \$6.4 million of potential assets have been withdrawn due to a range of inter-related issues including title and equity. Many more millions of dollars worth of church assets have been unsuccessfully offered. Proportionately, public church partnerships that are progressed to actual delivery of new housing units are far fewer than those that have been offered. **The substantial stumbling block is the question of title/equity.**⁴⁴³

- 6.64** Churches Community Housing gave examples of public-church partnerships that did not eventuate due to title and equity disputes. One was a proposal by the Uniting Church's *Burnside*, to contribute \$1 million to assist with developing youth housing co-operatives in partnership with the Department of Housing. This project was not undertaken, however:

The Trust spent nearly three years unsuccessfully negotiating with government in relation to how each party would secure its interest in the partnership. Eventually, Burnside withdrew its money and the Trust ceased to operate. Not one unit of housing was delivered, and \$1 million worth of opportunity was lost.⁴⁴⁴

- 6.65** Churches Community Housing explains that the practices in other program areas allow for church partners to retain title over land and to vary the equity held by each partner during the life of the partnership agreement:

Many of the major service programs (for example, health and education) undertaken by churches may involve some form of public investment, ranging from provision of capital grants to recurrent funding and/or "one off" assistance. When churches develop a particular project, for example a school – they will often contribute the land with the government (usually Federal) providing capital grants for infrastructure. The church and public agency enter into a partnership funding arrangement setting out each parties' rights and responsibilities. Normally the Federal Government has a 20-year pro rata interest reflecting their contribution. In Year One this may be 80% Government equity, and 20% Church equity, declining over the 20 years of the agreement until the Government equity is nil. The church signs an agreement to deliver education services over this 20-year period. If the building's use changes to a non-educational usage then the church has to pay out the government's remaining equity.⁴⁴⁵

⁴⁴³ Supplementary Submission 27, Churches Community Housing, p4, original emphasis

⁴⁴⁴ *ibid*, p8

⁴⁴⁵ Supplementary Submission 27, Churches Community Housing, p3

... Their starting point is that churches will retain title with a shared equity based on contributions which will be amortised over 20 years (for example) until the church has full equity.⁴⁴⁶

6.66 The NSW Ecumenical Council points to the shared equity provisions in South Australia as a good working model:

... in South Australia there is a “Collaborative Policy Framework” in which the churches provide the use of their land free of cost and the Government provides the funds to build houses on the land. The two partners together determine in advance the length of the agreement on a project by project basis. This is normally between 20 and 30 years. At the end of the agreement the church retains the land including all improvement. The church has the right of withdrawal after an agreed period, usually 20 years, but if it withdraws before the end of the agreed term it has to pay the remaining value of the improvements.⁴⁴⁷

6.67 Churches Community Housing considers that part of the problem lies in the government’s attitude to the assets. They cite the National Community Housing Forum report, *Title and Financial Independence*:

Increasingly, there is a view in government that public funded capital assets should be viewed as public assets. From this point of view, the assets are seen as held in trust for the government, and increasingly leased from government. The public interest is seen as a control of a public asset. But this mistakes the public interest (in fact, it confuses the public interest with the corporate interest of a public agency). Rather the public interest relates to a public, housing outcome (note the comma). Government should ensure that the capacity to provide that outcome is secure and sustainable. But efficiency requires that the provider control how assets are managed to achieve that outcome.⁴⁴⁸

6.68 CCH criticises “the fixation on assets by public agencies rather than being focused on increasing services”⁴⁴⁹ and argues that the government should take a different approach:

At the very core of a public-church partnership is that the public agency is not primarily acquiring an asset; it is purchasing a service under specified terms and conditions within a collaborative framework.⁴⁵⁰

6.69 It is argued that a more flexible approach could result in significant cost savings to the government:

⁴⁴⁶ *ibid.*

⁴⁴⁷ Submission 32, NSW Ecumenical Council, p4

⁴⁴⁸ National Community Housing Forum, *Title and Financial Independence*, p3, cited in Supplementary submission 27, Churches Community Housing, p5

⁴⁴⁹ Supplementary Submission 27, Churches Community Housing, p9

⁴⁵⁰ *ibid.*, p5

The New South Wales Housing Department at present signs leases with private developers for lengthy periods, eg 15 years, and pays market rentals throughout the period of the lease... Since market rentals cover the cost of the land as well as the buildings, arrangements in which churches supply the land free of charge for (say) 30 years could easily provide the same housing resources more cheaply than leasing from private developers.⁴⁵¹

6.70 An expansion in housing services could also eventuate:

In the current financial climate where enormous upgrading and maintenance requirements absorb substantial amounts of the State housing budget and limit expansion of stock **churches have the capacity to increase community housing stock by bringing new assets into the portfolio.**⁴⁵²

6.71 CCH suggests several alternative models that seek to overcome the obstacles to greater church involvement in partnerships. One such model, a ‘full grant with service agreement’, involves the church providing land or other assets, with the public agency contributing resources to build or redevelop existing assets. The church and government agency would then sign an agreement to provide housing services for a particular period of time, such as 20 or 30 years.

6.72 CCH sees a number of advantages in the ‘full grant with service agreement’ model, pointing out that it provides for:

- Clearer finance, accounting and asset accountability
- Increase in stock and geographical spread of stock, especially in high cost areas
- Ability to access private sector funding to further increase stock numbers as there is title with full equity to borrow against
- Facilitates effective asset management including upgrade and redevelopments
- Certainty of service with potentially limited impact from changing government priorities in housing, and
- Funder/ provider clarification.⁴⁵³

6.73 Possible disadvantages are identified as:

- Change in government policy settings re: low income support which may impact on income streams

⁴⁵¹ Submission 32, NSW Ecumenical Council, p4

⁴⁵² Submission 27, Churches Community Housing, p2 (original emphasis).

⁴⁵³ Supplementary Submission 27, Churches Community Housing, p10

- Time limited framework (though there is the strong possibility of renegotiating a new service agreement after the initial terms of the contract.)⁴⁵⁴

- 6.74** CCH also noted that each partner is exposed to some risks by this arrangement. The risk to government is that it transfers public resources to a private organisation. For churches, the risk is reduced flexibility in the use of their land with potentially no financial rewards.⁴⁵⁵
- 6.75** Another model suggested by Churches Community Housing is “grant with amortisation”. CCH describes this as similar to the previous model, with a grant and service agreement being signed, but the government grant is amortised over a period of up to 20 years. If the church withdraws the services before the end of the contract, it is required to pay back the remaining government investment. The CCH notes that models of this nature are in place in Victoria, South Australia and Queensland.⁴⁵⁶
- 6.76** CCH considers that each of these models is a relatively secure and cost effective investment for the government, as the church is likely to seek to extend its service beyond the initial contract period. The additional resources that churches often integrate into their provision of housing – such as counselling, case management and disability support – are also advantageous.⁴⁵⁷
- 6.77** The Department’s advice in relation to title and equity is that the funding arrangements sought by churches, such as amortisation of properties, are outside current Department of Housing policy.⁴⁵⁸

The Committee view

- 6.78** The evidence presented to this inquiry suggests there could be significant advantages for government in a more flexible approach to title and equity in the housing partnership context. While the current approach does ensure that public assets and funds are kept in government hands, it also has the result of discouraging greater investment in partnerships by churches and local governments. Such investment is crucial to the expansion of social housing in New South Wales.
- 6.79** In a time of serious social housing shortfalls, the Department should consider proposals for non-government funding being used to expand community housing stock, as long as public funds, equity of access and tenants’ rights are safeguarded. We believe that the experience of other jurisdictions and programs, where partners are able to retain title and vary equity arrangements, suggests that this approach could be viable.

⁴⁵⁴ *ibid.*

⁴⁵⁵ *ibid.*

⁴⁵⁶ *ibid.*, p11

⁴⁵⁷ *ibid.*, p13

⁴⁵⁸ Submission 54, Department of Housing, p13

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- 6.80** The Department did not address in detail the issue of transfer of title and equity to community housing providers. The Committee believes that, given the potential advantages identified in evidence, there is a sound argument for reviewing Department of Housing policy on these matters. The review should be undertaken in consultation with church and local government representative groups, and be incorporated into the Five Year Strategic Policy Framework.

Recommendation 30

That the Department of Housing review its policies relating to title and equity arrangements for housing partnerships.

Any changes to title and equity arrangements should ensure safeguards are maintained for public funds, equity of access and tenants' rights.

Title and equity: housing associations and housing co-operatives

- 6.81** For housing associations and co-operatives, title and equity are issues because they believe the sector's ability to expand is impeded by the current arrangements. The problem, as they see it, is that while community housing organisations do not have title over their properties or control of the equity, they are unable to raise finance that could enable them to purchase or lease additional stock.

- 6.82** Ms Morgan-Thomas, Executive Officer of the FHA, told the Committee:

The lack of access to title is an important barrier for housing associations at the moment. I know that this morning the Department of Housing mentioned that we manage more than \$1 billion worth of stock. I want to make clear that that stock is owned by Land and Housing Corporation or private landlords; it is not stock that we control title to. It is difficult to do asset management if you do not control title.

Importantly, housing associations could have the capacity to go out and get private sector finance and expand the ability of community housing to meet needs if we had access to title, if we were able to use that as working capital.⁴⁵⁹

- 6.83** The FHA provided further information on this in their submission:

The question of how to attract private finance to community housing seems, to many, to hinge on whether housing associations are able to raise loans against their assets. Capital properties are currently used fairly passively: they are simply used to house people. Housing associations, individually or jointly, could make more active use of these properties, including upgrading or selling them as they reach the end of their economic life, with the funds used to buy other properties. This would allow the asset to be used as an investment, as well as allow the

⁴⁵⁹ Morgan-Thomas, Evidence, 12 February 2002, pp46-47

managing housing association to meet changing housing needs more effectively. Housing associations could also bypass the current borrowing restrictions on government and bring much needed private sector capital in to the social housing system.

Clearly, if housing associations do not hold title to the properties they manage, it will be very difficult for them to secure any substantial amounts of money.⁴⁶⁰

6.84 The FHA cites a number of advantages in having title rest with individual housing providers, including:

- Being able to operate as effective, autonomous agencies providing a contract service to the government within clearly defined parameters
- Being relatively secure from changes in government policy which might erode the sector
- Being able to engage in asset management activities such as buying, selling and development in order to tailor the stock portfolio to meet demand
- Having control of surpluses generated by the properties in order to expand and improve services
- Being able to raise private finance with the properties as security.⁴⁶¹

6.85 Similarly Shelter NSW submitted:

The question of who holds title to community housing properties is the single most important issue, the resolution of which will determine how community housing will grow. At present title to all capital properties ... is held by the NSW Land and Housing Corporation (the Department of Housing). While this remains the case, it is impossible for community housing providers to raise private finance against the assets and to grow to better meet demand.⁴⁶²

6.86 The issue of title and equity is also of concern to housing co-operatives. The submission from ARCH observed that the Department of Housing documentation relating to the original Rental Housing Co-operative Program noted that the aim of the program was to develop housing co-operatives that were democratic, with equity owned in common by the co-operative.⁴⁶³ The guidelines for the program stated:

Generally, title shall be held by the co-operative. The loan provider (mortgagee) will hold a first mortgage over the property. LGACHP funds will be secured by the Department with a second mortgage, as a repayable interest free loan. Fifteen

⁴⁶⁰ Submission 34, NSW Federation of Housing Associations, p35

⁴⁶¹ *ibid*, p36

⁴⁶² Submission 47, Shelter NSW, p26

⁴⁶³ Department of Housing, *Rental Housing Co-operative Program Guidelines*, 1991, cited in Submission 48, p55

percent of the project's final cost shall be a non-repayable grant ensuring the project's ongoing compliance with the program guidelines. At any point in time a co-operative's net equity is equivalent to the project's current value minus the outstanding amounts owing under the first and second mortgage...⁴⁶⁴

6.87 ARCH notes that the current title and equity arrangements do not reflect those which were foreshadowed by these guidelines.⁴⁶⁵ ARCH submits that:

Putting surplus funds to use by raising mortgages to buy equity was intended as a means by which to regenerate funds back into the co-operative communities to continually assist the most disadvantaged and expand the sector through partnerships with the private sector. This has not been made possible.⁴⁶⁶

6.88 The arrangements envisaged involved equity and title being held in common by the co-operative: individual co-op members would not have individual equity.⁴⁶⁷

6.89 The Australian Centre for Co-operative Research and Development (ACCORD) argued that the current restrictions on title and equity holding by co-operatives have negatively impacted on the sector:

The NSW programme is characterised by some significant limitations. First, the leasing model upon which the programme is based limits the benefits of co-operative living to its members. This is primarily related to the fact that neither the co-operatives nor their individual members retain any equity in their housing. One of the key factors which has supported the development and expansion of co-operative housing sectors in other States and overseas has been the capacity of these sectors, with practical government support, to utilise the equity in their housing stock to leverage further private and community sector assets...

In brief, the current NSW leasing programme remains tied to a dependence model, where the co-operatives involved are simply reliant upon government stock and funding, and have highly limited control over the expansion of their co-operatives or the capacity of the sector as a whole...⁴⁶⁸

6.90 Shelter NSW suggests that, in the current environment, expansion of the sector through greater government funding is unlikely, and reliance on the private rental market has proven unsuccessful. Shelter argues that, for these reasons, raising private finance is the only alternative means of expanding social housing. Shelter NSW considers that this raises the question of who should hold title to community housing stock and recommends that:

⁴⁶⁴ Department of Housing, *Rental Housing Co-operative Program Guidelines*, 1991, pp8-9, cited in Submission 48, ARCH, pp56-57

⁴⁶⁵ *ibid*, p57

⁴⁶⁶ *ibid*, p58

⁴⁶⁷ Submission 22, ACCORD, p2

⁴⁶⁸ Submission 22, ACCORD, p7

Options be explored for transfer of title to the community housing sector in such a way as to maximise the possibilities for growth of the sector, via raising of private sector finance; and also to ensure that title is transferred in such a way as to protect public resources and public accountability.⁴⁶⁹

6.91 The potential problems for the government in transferring title and equity were canvassed during the inquiry. The FHA acknowledged:

From the State government's point of view, the issue is one of how to supplement sector funds "off budget", that is, how to reduce the impact on the public purse. Set against this is the understandable desire of the government to be able to regulate and monitor the sector effectively. The capital properties in question have been paid for with public money for the specific purpose of providing a service to those in housing need. The government does not want to lose control of the operation to the extent that the public assets are not being managed effectively for the intended purpose, and must retain the ability to redirect social housing resources to meet changing needs.⁴⁷⁰

6.92 Ms Wade, Co-ordinator, Tenants Union of New South Wales gave evidence that:

Certainly a lot has been written about this and we know that there is a big push from the community housing sector to hold title. We are aware that it is predominantly about raising finance. We would not be unsympathetic to that need. Our concern is about tenants' security of tenure... Academics have had a look at this, but none have been able to satisfy us that tenant security is safe and that there would not need to be a turnover of stock; that is, selling stock to be able to manage the financing.

Individual community housing organisations should not hold title. In many cases we are transferring public housing assets as fully bought and paid for by State and Federal funding, taxpayers' funding. To think it could potentially be sold to private investors would involve high subsidies. Our concern is about the capacity of community housing managers and whether they possess the necessary business acumen. I am not convinced that they do. We are aware of at least one inner-city community housing provider that is insolvent...⁴⁷¹

6.93 Dr Darcy also flagged possible problems:

If I were a community housing provider I would certainly like the freedom of being able to say that we control the equity for this stock and we can go to private institutions and borrow against it and so on. But there are serious public accountability issues on that basis because we are talking here about public funds. There is a history in some States, not in New South Wales, I am glad to say, of the public sector handing over equity in stock to community organisations who then use it in very unaccountable ways. I could refer you to some of the examples that I cited in the report I wrote for National Shelter in 1996.

⁴⁶⁹ Submission 47, Shelter NSW, p27

⁴⁷⁰ Submission 34, NSW Federation of Housing Associations, p35

⁴⁷¹ Wade, Evidence, 16 April 2002, pp52-53

For example, stock might have been handed over to a small co-operative housing association on the basis that they were providing housing to low income people. Once they had the stock in ownership they basically changed their allocations policies, made sure that all the people who were housed in those housing estates were people who they liked and got on with and were a bit like them. That is a serious equity issue. We are talking about public funds that are allocated for the most needy people and to ensure affordability. If you hand them over completely to non-government organisations you risk those accountability questions, and the equity questions arising from that.

I cite another example in a small rural area in a small State where the housing association was handed over stock and were refusing allocations to people with social characteristics or personal backgrounds of which the management committee did not approve, but the State Government in that case could do nothing about it because they had been given title of this stock to that organisation and it was a private organisation. They could certainly refuse them further stock and further funding but the horse had bolted. If you are going to go down that path you have to think very seriously about its consequences.⁴⁷²

6.94 The Committee notes that it is common in other jurisdictions for community housing organisations to hold title over their assets. For example, in Victoria, CHOs hold title over some 29% of stock administered by the housing department in June 2001. In Queensland, the proportion is 69%, with 39% in Western Australia and 76% in South Australia.⁴⁷³ The NCHF noted:

The most significant difference is between states in which community housing organisations hold title and those in which they do not. Most significantly, title to all capital funded stock in NSW is held by the land and housing corporation while in SA and Qld most organisations hold title in their own right.⁴⁷⁴

6.95 In relation to co-ops, ARCH stated:

NSW is the only jurisdiction in Australia where government funded housing co-ops are denied title and equity.⁴⁷⁵

6.96 Inquiry participants identified several alternative models for title and equity. For example, ARCH noted four possible models:

Model 1 Title transfers to the co-operative, with Government interest in the property secured by way of a non-repayable mortgage secured over the whole asset. This is effectively a grant system. This resembles most closely the program in Queensland.

Model 2 Title transfers to the co-operative, with Government interest in the property secured by a mortgage or debenture income stream to Government

⁴⁷² Darcy, Evidence, 13 February 2002, pp15-16

⁴⁷³ Supplementary submission 28, NCHF, p16

⁴⁷⁴ Supplementary submission 28, NCHF, p17

⁴⁷⁵ Submission 48, ARCH, p57

based on the co-operative's capacity to pay. This resembles most closely the program in South Australia.

Model 3 Title transfers to the co-operative, encouragement is given to raise private finance through limited subordination of government interest.

Model 4 Title transfers to a co-operative controlled second tier organisation, which is encouraged to raise finance for new development.⁴⁷⁶

6.97 The NSW Federation of Housing Associations notes three possible alternative models: title being held by the government or a quasi-government agency; title being held by individual housing providers; or, title resting with a sector-based intermediary.⁴⁷⁷

6.98 The FHA's preferred option is the establishment of a sector-based intermediary to hold title, arguing that it "has the potential to combine many of the benefits of a government based agency with the community sector control and independence sought by providers".⁴⁷⁸ Such an entity could be established, according to the FHA, in a number of ways, such as:

- Creating a company with each housing association as a subsidiary. Housing associations would be shareholders in the parent company and would have the normal rights and responsibilities of shareholders in directing its activities. Any provider which failed to meet the operational and service criteria could be wound-up and re-absorbed into the parent company
- Endowing certain housing associations with the capacity to hold title and/or act as finance-raisers and developers on behalf of the other housing associations within their area or region
- A combination of the above.⁴⁷⁹

6.99 The FHA suggests that the benefits for government in this proposal are:

- Roles and responsibilities could be established by contract, without the necessity for complex and time-consuming legislative processes
- A large umbrella organisation would be able to engage in development and asset management functions for the sector, without exposing government funded assets to the level or risk associated with giving title to individual housing associations
- The organisation could attract tax benefits available to non-profit sector organisations which are not available to government agencies

⁴⁷⁶ *ibid*, p59

⁴⁷⁷ Submission 34, NSW Federation of Housing Associations, p35

⁴⁷⁸ *ibid*, p36

⁴⁷⁹ Submission 34, NSW Federation of Housing Associations, p36

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- The organisation might also be more likely to attract philanthropic and community sector financial support than a government agency
 - The government would only have to deal with one agency (or a small number of agencies) rather than many, and could remain thoroughly at arms length from the housing associations themselves.⁴⁸⁰

6.100 Shelter NSW also favours consideration of a sector-based agency to hold title:

While acknowledging the concerns of many, Shelter believes that the interests of both community housing and the community itself may be best served by title being held by an agency which is accountable and responsible for public funds. This agency would provide a solid institutional basis against which private finance could be raised. It could on-lend funds to not-for-profit community housing providers on an equitable and strategic basis.⁴⁸¹

6.101 The NSW Tenants Union expressed cautious support for having a title holding entity, providing acceptable financial plans and risk assessments are completed:

We are concerned that a central body holds the title if that occurs, because that would allow smaller co-operatives for community housing bodies to be players in the game. Yet, if they hold their own title they are not able to maximise it.

If there is a proper regional needs analysis or method for determining means and some central body holds and divides the resources, that would be a fairer way for smaller organisations to obtain resources. We believe that there needs to be far more work done on the New South Wales market on whether there is an ability to attract additional resources. We have heard about the selling of bonds or equity loans. We believe there needs to be some risk analysis done on what extent we can go down the track and what extent houses need to be sold on top of an asset management structure. While we are not unsupportive of a model, there needs to be a risk analysis. That would be a good recommendation from this Committee.⁴⁸²

6.102 Dr Darcy considered the benefits of controlling title and equity to be maximised through a sector-based agency approach:

I also believe that if we are really talking about getting large-scale private investment into the sector, you really need to keep the asset together. You really need to be able to manage the asset across the State in ways that allow you to look for the best of opportunities, cross subsidise where necessary and plan. If you just hand over equity, and at the moment I do not know how many hundred small organisations, you will lose that ability to plan.

I refer you to the work done by the Affordable Housing Research Consortium which was presented at the national housing conference just a couple of months ago. That research shows that there are certainly institutional and large investors around who are very interested in what they would call quality paper and secure

⁴⁸⁰ *ibid*, p37

⁴⁸¹ Submission 47, Shelter NSW, p27

⁴⁸² Wade, Evidence, 16 April 2002, pp52-53

investments. What they are after is something where they can rely on a return over time, not where they can make small-scale housing loans. It seems to me that the best thing to do is to look to some sort of intermediary corporation, quasi government or quango type operation, which would be responsible for assembling investments and holding the equity and would be seen in a position to plan the distribution of new stock development on the basis of business, service and equity provision plans provided to them by small organisations such as housing associations or, for that matter, regional offices of the Department of Housing.

We certainly need to get a lot more investment and that investment is not going to come from government. We are not going to get large scale new capital from the Commonwealth so it is the private sector investment we are looking at. To be serious about it, we are talking about institutional investors on a large scale. If we are serious about taking the social housing stock from 6 per cent, 12 per cent or 20 per cent—something which will have an impact on the private rental market—then you are talking about a lot of money and you need to assemble it fairly rapidly...⁴⁸³

6.103 Looking to other jurisdictions, the Committee understands that the Victorian model for housing co-operatives involves a public unlisted company, Common Equity Ltd, which is funded by the government, and which is responsible for purchasing, developing and on-leasing properties for the co-operative sector. Under this model, Common Equity Ltd receives 60% of rental returns and is responsible for monitoring compliance with government regulations, major maintenance of properties and assists co-ops with training and start-up grants. Individual co-ops are required to manage the tenancies and day-to-day maintenance. Common Equity has an operating surplus of \$2 million per year which is used, together with loans, to expand the co-operative housing sector.⁴⁸⁴

6.104 The Department of Housing acknowledged a number of advantages with this model, including:

- Government has only one entity with whom they have to make contact
- A high level of project management, and financial and investment expertise has been developed in the organisation
- The combined equity and rent base provides much greater bargaining power to seek further investment.⁴⁸⁵

6.105 Successful examples in the UK and Europe, where access to title is commonplace, were also presented to the Committee:

It is clear that most European housing associations have reached the size and capacity that they have because of their ability to obtain government subsidies and mix these with private sector funding.

⁴⁸³ Darcy, Evidence, 13 February 2002, pp15-16

⁴⁸⁴ Submission 54, Department of Housing, p55

⁴⁸⁵ *ibid.*

Housing associations in the UK have been extraordinarily innovative and willing to be involved in partnerships for estate renewal in a way that governments find very difficult. Their ability to use their assets wisely and effectively has transformed the delivery of housing assistance in the UK.

... In return, housing associations expect to meet regulatory obligations to government and ensure that government funds and private sector funds are spent responsibly and ultimately house more people, more effectively.⁴⁸⁶

6.106 In view of the critical shortage of social housing stock, the Committee considers that all reasonable and prudent measures that enable expansion through non-government financing should be facilitated. It appears to us that there is broad agreement that a sector-based intermediary agency could potentially enable an expansion of community housing with minimal risk to government resources and provision of services.

6.107 While it is clear that further analysis of the risks and benefits of the various proposals is required, the Committee believes that the Department should review its title and equity arrangements for housing associations and co-ops to examine opportunities for raising private finance to expand the sector. Particular consideration should be given to the establishment of sector-based intermediary agencies to hold title for the housing association and housing co-operative sectors respectively. Provided this arrangement would retain the necessary standard of accountability, security of tenure and provision of housing services, the Committee considers it has much to offer as a model.

Recommendation 31

That the Department review its title and equity arrangements for housing associations and co-operatives to examine opportunities for raising private finance to expand the sector. In particular, consideration should be give to the establishment of sector-based intermediary agencies to hold title and equity for the housing association and housing co-operative sectors.

A social housing register?

6.108 Throughout the inquiry there was considerable debate about the need for a common waiting list, or a social housing register, for the provision of affordable housing in New South Wales. A central social housing register would mean that people seeking rental housing and rehousing assistance would be listed on a common database, accessible to all participating housing providers.⁴⁸⁷ Currently, community housing providers manage their own separate waiting lists, however, a shared social housing register would be overseen by the Department.

⁴⁸⁶ Submission 34, NSW Federation of Housing Associations, p96

⁴⁸⁷ Submission 54, Department of Housing, p50

6.109 The creation of a social housing register is considered long overdue by some, who see it as a logical method of ensuring appropriate services to those who seek affordable housing. Shelter NSW suggested that:

The NSW Government should accelerate the work being done on the establishment of a Social Housing Register so that tenants have access to greater choice, and so that all applicants have greater equity of access to appropriate housing.⁴⁸⁸

6.110 This view is supported by the NSW Department of Housing, which investigated options for a social housing register in 2000. The conclusions of their investigations supported the creation of a social housing register in a range of other options:

A social housing register should be considered as one of a range of tools for integrating the delivery of rental housing assistance. Other tools include improved information for client on their housing options and improved skills in assessing clients with complex needs.⁴⁸⁹

6.111 The Department sees the potential for important benefits in a housing register:

People simply want accommodation and it is almost immaterial as to how that happens or who provides it. In terms of issues such as common housing registers or other forms of seamlessness of access to government assistance to home ownership in times of crisis, people want help; they do not necessarily want to go to every last door.⁴⁹⁰

6.112 While clearly advocating the implementation of some form of social housing register, the Department was keen to point out that such a register should not result in the community housing sector losing its focus on local needs:

That does not mean that we want to turn the system into some homogenous, grey sludge; we are looking for something that is much more responsive locally.⁴⁹¹

6.113 While this evidence suggests that local interests are compatible with such a system, others are firmly of the view that community housing providers with their local focus are much more able to manage such interests:

Because community housing organisations manage their own waiting lists, they can also be more flexible with their allocation processes than can the Department of Housing. This means they can have more scope for ensuring that tenants are housed with compatible neighbours or set up allocation procedures that recognise local priorities.⁴⁹²

⁴⁸⁸ Submission 47, Shelter NSW Inc, p5

⁴⁸⁹ Submission 54, Department of Housing, p50

⁴⁹⁰ Mr Andrew Cappie-Wood, Director General, NSW Department of Housing, Evidence, 12 February 2002, p13

⁴⁹¹ Cappie-Wood, Evidence, 12 February 2002, p13

⁴⁹² Submission 53, NSW Department of Community Services, p7

6.114 Housing associations and community housing providers expressed some ambivalence about the register, torn between what they see as a potential tool for expansion and improvement of the sector, and the prospect of losing independence and control to the Department of Housing:

The shift towards a common housing register has important symbolic meaning for housing associations. On one hand housing associations now have enough people for their participation in a register to be meaningful – housing associations are proud of that achievement. On the other hand, housing associations are concerned that their distinctive competencies and, ultimately, their autonomy will be threatened by the development of some forms of the register.⁴⁹³

6.115 Finally, while debate about the need for the social housing register generally revolved around tenant and logistical benefits versus housing association concerns, there was also concern raised about the type of social housing register to be introduced:

For New South Wales it is envisaged that a common register is the most suitable model and that only community housing providers would enter into partnership. The disparity in size between Public Housing Services (PHS) and community housing providers suggests that a register combining both arms of the social housing sector would be unworkable.⁴⁹⁴

6.116 While acknowledging the concerns of some stakeholders, the Committee believes there is value in the establishment of a central social housing register so that people seeking assistance would have access to all participating housing providers. We believe this would provide a seamless service delivery system and ultimately provide tenants with better choice of housing provider. The Committee believes that in developing a central social housing register, the Department should ensure that community housing's focus on local needs is not eroded.

Recommendation 32

That the Department of Housing, together with non-government community housing stakeholders, develop a central social housing register. In developing a central social housing register, the Department should ensure that community housing's focus on local needs is not eroded.

⁴⁹³ NSW Federation of Housing Associations (2000a) *Social Housing Register – a housing association perspective*, NSWFHA, unpublished, 1st August, p2

⁴⁹⁴ *ibid*, p2

Homelessness and crisis housing

6.117 As demonstrated early in this report, statistics indicate there are an increasing number of people affected by the rising housing costs across Australia, and particularly in metropolitan Sydney and larger regional centres. As noted in Chapter 2, housing costs in Sydney have risen by 40% over the last 5 years, outstripping increases in average weekly earnings, with rents rising from between 2% to 14.7% annually in Sydney and regional areas.⁴⁹⁵ In addition, many more families are experiencing housing stress, paying more than 30% of their income in housing costs with an increasing number in extreme housing stress. According to ACOSS, 25,076 people and families in New South Wales are spending more than half their income in rent every week.⁴⁹⁶

6.118 As explained in Chapter 2, the Supported Accommodation Assistance Program (SAAP) is the major governmental response to homelessness and is jointly funded by the State and Federal governments. Ms Mills from the Department of Housing explains the current arrangements for crisis housing:

About 90 per cent of those properties are now provided for long-term housing. The remaining 10 per cent are for people who are either in crisis housing, where we jointly fund the program with the Department of Community Services. Through the CSHA we fund the physical dwellings, and the Department of Community Services, through the SAAP program, funds the staffing and the recurrent costs for those properties. Increasingly under our strategies in that area, we are also growing transitional housing. So, rather than keeping people in crisis accommodation for unreasonable lengths of time, we are growing at the exit options for those people, where they can have a more stable living environment, more like a private community environment, with outreach support while they require it.⁴⁹⁷

6.119 SAAP aims to provide secure accommodation and support for people who are homeless or at risk of homelessness. The NCOSS submission explains the importance of appropriate housing options for people exiting SAAP services:

In order to achieve greater independence, it is essential that clients exiting from SAAP services are able to access housing options to meet their medium to long term needs. At the very least it should be possible for these clients to move beyond crisis accommodation and towards enhanced housing security.⁴⁹⁸

6.120 A number of submissions have highlighted particular problems with the current crisis and transitional housing systems. They argue that there are bottlenecks in the crisis system as people stay for long periods in crisis housing due to the lack of medium to longer term

⁴⁹⁵ Shelter NSW, Housing Directions Statement, State Election 2003, p6. For more information see Chapter 2

⁴⁹⁶ This group are living in private rental and are all on some form of Centrelink payment or benefit, in ACOSS, *Public and community housing: a rescue packaged needed*, ACOSS INFO 323, 14 October 2002, p5

⁴⁹⁷ Mills, Evidence, 12 February 2002, p6

⁴⁹⁸ Submission 50, NCOSS, p6

housing. According to NCOSS, another issue of concern is the rate at which exiting SAAP clients go back into the SAAP system and fail to access community and public housing options. NCOSS expressed their concern with the recent decision to introduce bonds of four weeks rent and renewable tenancies and believes such reforms will have a direct impact on disadvantaged people, including SAAP clients:

These two reforms will affect the affordability of social housing as well as the housing security it previously offered to tenants... Although it is still unclear whether these reforms will apply to community as well as public housing, their application to public housing will create barriers for exiting SAAP clients.⁴⁹⁹

6.121 The Department of Housing submission argues that new housing and support models are needed to better assist the large proportion of homeless people with complex needs and indigenous people who are homeless. They suggest that additional pathways and exit housing opportunities are critical to overcoming the current bottlenecks in the crisis system. The Department explains the priorities in this area:

Improved asset management practices and more transparent tenancy and property management arrangements are also needed. Future CAP initiatives will be guided by CAP Strategic Directions in alignment with SAAP IV reforms and other cross-agency initiatives through the Partnership Against Homelessness.⁵⁰⁰

6.122 In particular the Department has outlined the following strategies to implement CAP Strategic Directions in alignment with SAAP IV reforms:

- Diversifying crisis and medium term housing and support options for homeless people, particularly complex needs groups
- Developing new models to better assist indigenous people
- Continuing to develop exit housing options for people leaving crisis accommodation and develop new pathways for homeless people to obtain suitable longer term options
- Developing alternative forms of assistance to meet specific need, eg. further use of leasing and brokerage funds
- Improving asset management practices in CAP, including the introduction of planned maintenance
- Developing more sustainable financing arrangements for CAP through various strategies including negotiations of a cost-rent policy for property management with DoCS

⁴⁹⁹ Submission 50, NCOSS, p8

⁵⁰⁰ Submission 54, Department of Housing, p66

- Coordinating CAP with broader homeless strategies, including Partnership Against Homelessness initiatives.⁵⁰¹

- 6.123** It appears to the Committee that the principal problem for the crisis accommodation program is the absence of exit housing. As described above, the Department has formulated a number of commendable strategies to develop and improve the provision of crisis accommodation. However, without an expansion of the social housing sector, these are unlikely to be adequate to resolve the difficulties facing the crisis accommodation program. To put it simply, crisis accommodation will continue to be overloaded as long as there is insufficient medium or long term accommodation options for people ready to leave their crisis accommodation. As a result, crisis accommodation is at risk of becoming, by default, a less satisfactory form of medium or long term housing. This in turn blocks access for other clients needing crisis accommodation.
- 6.124** We believe that community housing has much to recommend it as an appropriate provider of housing for people exiting SAAP services, particularly its flexibility and the access to support services it can provide. We are hopeful that implementation of the recommendations in this report will help build the capacity of community housing, and enable the sector to address the unmet demand for housing assistance. As access to exit housing is expanded, access to crisis accommodation will also be improved.
- 6.125** In the meantime, the development of crisis accommodation through the Department's CAP Strategic Directions should be retained within a broader strategic framework for the community housing sector as a whole. The Committee believes it should be integrated with the Five Year Strategic Policy Framework it has recommended in its first recommendation.

Recommendation 33

That the Department include the Crisis Accommodation Program in the proposed Five Year Strategic Policy Framework.

⁵⁰¹ Submission 54, Department of Housing, p68