Final Report

Peer Reviewed

Innovation in affordable housing in Australia: bringing policy and practice for not-for-profit housing organisations together

authored by

Vivienne Milligan, Nicole Gurran, Julie Lawson, Peter Phibbs and Rhonda Phillips

for the

Australian Housing and Urban Research Institute

UNSW-UWS Research Centre, Sydney Research Centre and Queensland Research Centre

June 2009

AHURI Final Report No. 134

ISSN: 1834-7223

ISBN: 978-1-921610-15-8

AHURI

Australian Housing and Urban Research Institute

ACKNOWLEDGEMENTS

This material was produced with funding from the Australian Government and the Australian States and Territories. AHURI Ltd gratefully acknowledges the financial and other support it has received from the Australian, state and territory governments, without which this work would not have been possible.

AHURI comprises a network of fourteen universities clustered into seven research centres across Australia. Research centre contributions, both financial and in-kind, have made the completion of this report possible.

The authors would especially like to thank Kate Fagan and Michael Zanardo (University of Sydney) and Sumanthi Ghosh (University of Western Sydney), who each provided valuable research input for this study. They also acknowledge and appreciate the contributions made by all of the participants in the study, who included policy-makers, providers, residents, national experts and various other stakeholders. The authors are also grateful for the comments on an earlier draft of this report, received from an anonymous reviewer.

AHURI FINAL REPORT SERIES

AHURI Final Reports is a refereed series presenting the results of original research to a diverse readership of policy-makers, researchers and practitioners.

PEER REVIEW STATEMENT

An objective assessment of all reports published in the AHURI Final Report Series by carefully selected experts in the field ensures that material of the highest quality is published. The AHURI Final Report Series employs a double-blind peer review of the full Final Report – where anonymity is strictly observed between authors and referees.

CONTENTS

ABBREVIATIONS

ACT	Australian Capital Territory
ACTPLA	Australian Capital Territory Planning Authority
AHURI	Australian Housing and Urban Research Institute Ltd
AHIF (NSW)	Affordable Housing Innovation Fund (NSW)
AHIF (SA)	Affordable Housing Innovation Fund (SA)
AHIU	Affordable Housing Innovations Unit (SA)
ALP	Australian Labor Party
ATO	Australian Tax Office
BHC	Brisbane Housing Company Ltd (Queensland)
COAG	Council of Australian Governments
CEO	Chief Executive Officer
CEHL	Common Equity Housing Ltd (Victoria)
CHC	Community Housing Canberra Ltd (ACT)
CHFA	Community Housing Federation of Australia
CHL	Community Housing Ltd (Victoria)
CHO	Community Housing Organisation
CLG	Department of Communities and Local Government (UK)
CPI	Consumer Price Index
CSHA	Commonwealth State Housing Agreement
CWH	City West Housing Ltd (NSW)
DEHLG	Department of Environment, Heritage and Local Government (UK)
DHS	Department of Human Services (Victoria)
EGW	Bond Issuing Co-operative (Switzerland)
EPAA	Environment Planning and Assessment Act (NSW)
EC	European Commission
EU	European Union
FaHCSIA	Australian Government Department of Families, Housing, Community Services and Indigenous Affairs
FSR	Floor Space Ratio
FY	Financial Year
GDP	Gross Domestic Product
GCHC	Gold Coast Housing Company Ltd (Queensland)
GFA	Gross Floor Area
GBA	Gross Built Area
GBV	Federation of Limited Profit Housing Associations (Austria)

HAF	Housing Affordability Fund
HCA	Housing Choices Australia (Victoria)
HCCB	Housing Construction Convertible Bonds (Austria)
HIA	Housing Industry Association
HLM	Organisme d´habitations a loyer modéré (France)
HPLGM	Housing Planning and Local Government Ministers
IMF	International Monetary Fund
LDA	Land Development Authority (ACT)
LISC	Local Initiatives Support Corporation (USA)
LPHA	Limited Profit Housing Companies (Austria)
MAH	Melbourne Affordable Housing Ltd (Victoria)
MHI	Median Household Income
NAHA	National Affordable Housing Agreement
NCHF	National Community Housing Forum
NRAS	National Rental Affordability Scheme
NSW	New South Wales
NT	Northern Territory
NZ	New Zealand
OCH (NSW)	Office of Community Housing (NSW)
OCH (SA)	Office of Community Housing (SA)
OECD	Organisation for Economic Cooperation and Development
ORHA	Office of the Registrar of Housing Agencies (Victoria)
OUM	Office of Urban Management (Queensland)
PBRS	Performance Based Registration System (NSW)
PICHA	Perth Inner City Housing Association (WA)
PPHA	Port Phillip Housing Association Ltd
QLD	Queensland
QLD DOH	Department of Housing (Queensland)
SA	South Australia
SAHT	South Australian Housing Trust
SAAHT	South Australia Affordable Housing Trust
SEPP	State Environmental Planning Policy (NSW)
STEPS	Southern Training and Employment Solutions Ltd (Tasmania)
SHIP	Social Housing Innovations Project (Victoria)
SCHIP	State Community Housing Investment Program (WA)
TAHL	Tasmanian Affordable Housing Limited (Tasmania)

TOD	Transit Oriented Development
ULDA	Urban Land Development Authority (Queensland)
WA	Western Australia
YCH	Yarra Community Housing Ltd (Victoria)

LIST OF FIGURES

LIST OF TABLES

LIST OF BOXES

EXECUTIVE SUMMARY

The purpose and context of the research

This study investigates the policy environment and accomplishments of emerging not-for-profit housing developers in Australia. The core purpose is to understand the current operating environment of these agencies and to identify directions for policy that could enable these or similar organisations to make larger scale contributions to the provision of affordable housing in Australia.

The report of the research builds on and updates a previous AHURI funded study of the engagement of not-for-profit organisations in developing affordable housing, which was completed in 2004 (Milligan et al. 2004). This follow-up study offers a timely opportunity to assess progress in policy and practice against the benchmarks and proposed directions laid down in the earlier research. A key question is how far Australia has come in establishing a viable and sustainable not-for-profit affordable housing industry and what additional policy effort will be required. The time period examined covers 2004 to early 2009, with most data collection being undertaken in 2008.

That period has been marked by significant developments in the funding, policy, regulatory and delivery frameworks for affordable housing in Australia, commencing with changes led mainly by state and territory jurisdictions followed by a suite of national initiatives since 2008. As this study was being finalised, the market and policy contexts impacting on affordable housing providers were shifting rapidly, under the influence of both global financial and economic conditions and local changes in policy guided by the Council of Australian Governments.

This was also a period of deepening affordability problems. While many factors contribute to housing affordability trends, supply side aspects, including the availability of land; land development processes and policies; infrastructure costs; the costs of construction; and property related taxes are recognised widely as key components. The first annual report of the Australian Government's newly established National Housing Supply Council identified an effective shortage of 251,000 private rental dwellings in 2008 in Australia (Australian Government 2009).

In this context, this report, like its predecessor and other associated research by the authors and Gilmour (2009), provides another important benchmark for monitoring what can be characterised as an emerging affordable housing industry in Australia.

The organisations studied

Within Australia's highly diversified not-for-profit housing system, the focus of this study is on those housing providers that are, or are considering, undertaking more financing and development of their own housing.

In the study such organisations are defined as having:

- A social goal to provide well located housing that is affordable for a range of low to moderate income households;
- Financial capacity to secure their own housing finance and assets;
- Organisational capacity and skills to initiate, develop and maintain a portfolio of housing assets; and
- A strategic intent to operate at a scale that would be sufficient to generate additional housing production on a regular basis, to achieve operational

efficiencies and to help to generate further innovative responses to defined housing needs.

Scope and methodology

For this update, relevant policy developments were assessed for all jurisdictions in Australia. Primary research was also conducted in all states and territories, with emphasis given to those regions where housing associations are most active as developers of housing projects. The study also has an international dimension.

In Australia, the main methods used to collect empirical information included surveys of provider organisations; interviews with organisational staff, stakeholders, partners and other key informants; group discussions with tenants of affordable housing projects; and analysis of a variety of key documents and websites of governments and relevant organisations.

International research involved an update of previous research by some of the authors (Lawson and Milligan 2007, Gurran et al. 2008) and closer examination of case studies in Austria, Switzerland, France and the Netherlands that offered innovative financing and regulatory policies or cautionary tales of potential relevance to Australia. The European based member of the research team, Dr Julie Lawson, carried out local field work, talking directly to key informants based in government, peak housing organisations, individual provider organisations and financing institutions across those four countries during 2008.

Concepts and terms

'Affordable housing' is a widely used term that takes both generic and more specific meanings. In this report the term is used to refer to housing that is procured directly by not-for-profit providers using a mix of public and private finance for renting at rates that are below market levels to low and moderate income households in housing need. The potential to facilitate pathways to home ownership for tenants is also recognised as an affordable housing activity of providers, although this is not occurring to any extent in Australia yet.

The term 'social' housing is used in this study to refer to an existing portfolio of housing (around 5 per cent of the Australian housing system) that has been financed mainly with public funds, is owned largely by state and territory governments and is managed mostly by state housing authorities (85 per cent), with the remainder managed by a plethora of mostly small community based providers. Lack of growth in social housing over the last decade and loss of other forms of low cost housing have contributed to growing numbers of low income households in housing stress.

'Not-for-profit' housing providers are defined as being independently incorporated, not-for-profit but commercially savvy organisations that invest in, develop and own housing for a core social purpose (broadly, to provide appropriate secure and affordable rental housing and to support their tenants) and to reinvest any proceeds of their activities in expanding their core business.

Findings

Policy frameworks

The 2004 report on affordable housing argued that three factors would be critical to deliver a large volume of affordable housing through the not-for-profit sector in the short to medium term: a secure and ongoing government capital investment program; a mechanism to raise and channel large volumes of private finance; and capacity building in the delivery system (Milligan et al. 2004). A subsequent report emphasised the need to bring in positive planning policies for affordable housing and to utilise government land to contribute to the supply task (Milligan 2005).

Since 2004, stronger policy foundations to support a larger and more diversified affordable housing sector have been established. Most jurisdictions in Australia have moved to enhance and better integrate housing, planning and regulatory policies applying to not-for-profit providers to support their expansion, and there has been a small increase in new supply of dedicated affordable housing. However, by the beginning of 2008 there was little evidence that not-for-profit providers could achieve continuing growth in affordable housing supply at scale, principally because of an insufficient commitment to ongoing public investment at the level that would be required to generate volume and to leverage private sector interest.

Following the re-entry of the Australian Government into a leading role in housing policy during 2008, through the policies and mechanisms described in section 3.9, the not-for-profit sector now has the potential to operate at a scale not seen before in this country. Nevertheless, strategic elements of a policy model that would be capable of supporting sustainable growth in that sector need further development, as discussed under 'the way forward' below.

Providers

In 2004, the number of active organisations and their property portfolios were extremely small. The seven largest providers had developed around 1,200 units of affordable housing over the preceding decade. Nevertheless, assessment of the contributions of those agencies, combined with international evidence of what can be achieved by using large, dedicated affordable housing developers, indicated that there was considerable potential for growth and innovation in Australia (Milligan et al. 2004).

Over the five years since the previous study, the affordable housing businesses of not-for-profit providers in Australia have developed in scale, complexity and maturity. There are now more and larger organisations undertaking housing development using a range of financing, procurement and design approaches.

The study differentiates not-for-profit housing providers with good potential for growth using a five level classification:

1. Established developers already procuring at modest scale;
2. Emergent developers intending to scale up, some with limited procurement experience;
3. Aspiring developers with some limited procurement experience, unclear growth path;
4. Growth partners – growing through management services linked to supply; and
5. Traditional 'asset-rich' service agencies expanding into affordable housing.

Preliminary estimates of numbers of organisations in each group in 2009 have been made in this study but these need to be confirmed by a more comprehensive survey (table 8). Overall, our field research indicates that around 40 not-for-profit organisations are to some extent involved in housing procurement activities. The study also tracks what has happened to the business models, governance and performance of agencies identified in 2004 as being the leading developers and examines others that have entered the field.

Growth levels and patterns

At the end of 2007/08, the eleven established providers owned over 5,440 dwellings and had plans to finalise procurement of at least another 2,330 in the near future. When the current development pipeline has been exhausted, there will have been about a 220 per cent growth in stock under the control of the leading eleven players since 2004. This group of developers had net asset worth of just under $1.3 billion in 2007/08.

Scale is starting to emerge in the sector. While a few lead developers have less than 500 dwellings, the largest has nearly 1800 dwellings under its control and all the agencies in this group have reasonable development pipelines. Growth has happened through both procurement and transfers onto provider balance sheets. A recent history of mergers and amalgamations has also assisted this movement to larger scale, assisting providers to realise the economies of scale that are available for both procurement and property management.

The most significant change since 2004 has been the emergence, under the influence of deliberate government policy, of a class of developers (called housing associations) in Victoria. As a consequence, the Victorian housing association sector, comprising seven of the eleven leading developers, has started to resemble well established not-for-profit housing sectors that operate in similar countries overseas. Other jurisdictions have not emulated Victoria to the same extent, although there are increasing signs that they will, with NSW, WA, the ACT and, most recently, SA making policy commitments similar to those that have propagated significant change in Victoria (although with less funding on offer).

Projects

The leading not-for-profit developers in Australia are starting to gain experience in delivering appropriate housing products that are cost-effective, and have the approval of their tenants and the wider industry. Several providers have been prominent in industry awards. Purpose designed products, such as boarding houses and studio and one bedroom apartments, that are durable for long term renting (and are not supplied in the for-profit market), are emerging. A large share of developments is aimed at population groups with particular design needs. Waste, water and energy efficient housing designs that reduce living costs for tenants and meet broader environmental sustainability goals are also emerging features of projects in the sector. Larger, more experienced providers are starting to undertake larger scale developments and venturing into mixed tenure, mixed use development projects, with good results so far. To extend the benefits of having purpose designed and built housing, the study suggests that development rather than market based procurement should be encouraged strongly in future policy directions, unless it can be demonstrated that the latter approach will provide similar benefits at a comparable cost.

Business models

The study examines the variety of business models under which the leading developers operate (section 4.2.1). While all have something to offer, they are not yet optimal. Key elements of a suggested optimal model include:

- → Sufficient government capital and development sites to achieve a sizeable annual development program for a reasonable number of individual providers;
- → A framework for offering planning incentives to affordable housing developers in a variety of market contexts;

- Rent setting policies that enable providers to be viable, including having the capacity to meet the costs of a modest level of financial gearing and to generate surpluses for reinvestment in additional supply; and
- Policies that allow for a mix of low and moderate income clients to address a range of needs for affordable housing and to support social mix and economic participation objectives of governments. To optimise access for very low income households in some high cost markets, additional operating or tenant subsidies could be incorporated in the model.

Corporate governance and capacity

The 2004 report noted that governments had been actively involved in the foundation and governance of most of the leading developers at that time. As regulatory systems have developed and governments have gained confidence in the performance of established community housing organisations, this governance model has not been replicated and several previous agencies close to government have been restructured to give them more independence. The typical lead or emergent developer organisation is either a company limited by guarantee or a company limited by shares with a skills based (rather than representative) Board.

There has been significant up-scaling of corporate governance and professional capacity among the leading developers achieved through their own efforts, combined with those of network agencies, private consultants and governments. However, there is no comprehensive, coordinated and tailored approach to supporting capacity building across the industry and to steering a longer term growth path.

There is clear evidence that successful providers have been attracting highly qualified people with a variety of skills to Boards and as CEOs, with increased emphasis being given to appointing directors with business, property, financial and legal skills. This finding is important because of the growing complexity of the business of these agencies. It also indicates the attractiveness of the not-for-profit housing industry to social entrepreneurs with both social and business expertise.

There is a dynamic organisational environment surrounding the expansion of the not-for-profit sector at present, involving, for example, the formation of group structures, new entrants (particularly multi-function agencies), functional re-alignments within and between organisations, organisational mergers and new alliances. There was a general view among stakeholders that restructuring was likely to continue at a pace for some time, as providers seek to improve their economies of scale, harness capacity (such as development expertise) and accelerate growth. Specialised research will be necessary to understand the impact that these changes have on the capacity, performance and accountability of the sector over time.

International systems

Greater depth and variety of experience of providing affordable housing through not-for-profit organisations can be found outside of Australia. Examining overseas cases has enabled the study to pinpoint those elements of effective policy and innovative practice in larger and better established not-for-profit housing sectors that may have applications here. Three sets of lessons are identified:

- Lessons about adequate finance for supply, especially: the role of government strategies (such as guarantees and wholesale fund raising by a specialist intermediary) in reducing the cost of private finance; the benefits of long term government funding commitments; the importance of cost-effective government funding strategies and the advantages to be gained by directing a flow of funds to larger scale, well performing and publicly accountable not-for-profit providers.

- Lessons for land supply and planning, especially: dedicating public land for affordable housing; using planning policies, such as inclusionary zoning, to obtain appropriate sites; encouraging innovation through competitions for the right to develop these sites for affordable housing (evaluated against criteria promoting quality, energy efficient designs, sustainable construction methods etc.); and promoting collaborative local models, such as public/private /not-for-profit partnerships.
- Lessons for appropriate regulation of affordable housing provision, especially: the need for a clear legislative framework specifying public policy goals and measurable social tasks for affordable housing developers; an appropriate business model to achieve cost capped limited profit development; making industry information publicly available and having built in evaluation; and elevating accountability to tenants.

The way forward

In normative terms, the report argues that governments aiming to develop an affordable housing industry centred on not-for-profit suppliers should seek to establish the following key elements:

- A financing model that offers a cost-effective mix of public financial incentives and private financing, and associated funds management institutions;
- Planning policies and mechanisms capable of ensuring the timely and cost-effective provision of appropriately located affordable housing, including opportunities for designated affordable housing providers to access well located and serviced government or commercially owned land;
- A variety of providers capable of procuring and managing housing;
- Public policy settings that cover:
  - Requirements for affordable rents linked to subsidy assistance for those who cannot pay rent that is sufficient to attain viability for providers;
  - Well defined needs based eligibility policies and allocations criteria;
  - A core set of housing and service standards; and
  - Business rules relating to the realm of activities of providers, their generation and use of surpluses (or profits) and the control and preservation of assets, generated through the funding and subsidy arrangements;
- A robust regulatory system that is capable of giving assurance to governments, investors and customers that policy outcomes and financial and service requirements are being met, and that provider business risks are identified and managed. The regulatory regime must also include the power to redress cases of failing performance; and
- Supporting infrastructure and capacity building measures designed to secure and maintain the capability of individual providers and the industry as a whole.

Evidence about local and international practice that is related to each of the above core elements of an affordable housing model (which was collected for this research or drawn from previous studies that are cited throughout the report) provides the basis for suggesting a strategic forward path to governments in Australia, as summarised below.

Funding and fund raising

A more certain long term government funding stream at reasonable scale is required to assist capable not-for-profit housing developers to plan ahead and develop their businesses, so that they can make a sizeable contribution to addressing the shortage of affordable housing across Australia.

The Australian Government's National Rental Affordability Scheme (NRAS) (being implemented from 2007/08, initially over four years) shows significant potential to deliver volume funding – potentially to promote supply of 100,000 additional rental dwellings over eight years. However, the scheme requires enhancements if it is to support not-for-profit developers more effectively. These could include setting aside and channelling incentives to this class of developers (for competitive allocation among providers within that group) and linking NRAS incentive payments directly with other public funding and policy levers, especially access to developable land, as discussed below.

The Australian Government could also facilitate wholesale private fund raising for not-for-profit affordable housing developers (using NRAS incentives and/or other mechanisms, such as bond financing and government guarantees).This will bring cost and volume advantages compared with current approaches, which mostly involve individual providers raising retail finance project by project. A specialised fund raising intermediary could be established for this purpose.

However, NRAS alone will not be sufficient to achieve a robust funding model to develop a larger permanent supply of affordable housing in Australia. Analysis of funding options and international funding models suggest that there would be value in governments rethinking the total package of funding incentives and strategies required to foster a viable and sustainable not-for-profit affordable housing development industry across Australia. How a future package is designed will determine the scale, rate and key attributes of affordable housing that can be generated and to what extent the housing procured can be preserved as affordable housing. To determine the optimum funding mix, the contribution of each of the following potential components should be assessed: long term government capital and/or recurrent funding commitments; tax incentives and government guarantees; and public lending. A mechanism for collecting and distributing funds from a variety of sources could also be considered. Clear public policy goals and targets for addressing housing needs and securing affordability outcomes must inform whatever overall funding approach is adopted, as discussed below.

Access to land

Options to assist affordable housing developers to overcome the significant barriers to accessing land that they are experiencing could include a mix of: lower priced government land; deferred purchase of government sites; long term leasing of public land; transfer of existing public housing redevelopment sites to not-for-profit developers; and capture of some of the benefits of major uplifts in land value in strategic areas (such as transit corridors), specifically to enable the inclusion of affordable housing in those locations. Importantly, land supply mechanisms designed to support the sector should be designated in legislation and policy, not negotiated on a project-by-project or precinct-by-precinct basis (as has tended to occur to date) to increase certainty and to reduce transaction costs for organisations.

Public governance

Public governance of this sector should be national in approach to promote scale, to give more opportunities to entrepreneurial providers, to attract private investors and to reduce compliance costs. All spheres of government should have clearly defined roles under the national framework. The need for joined up government action across treasuries (as funders and fund raisers) and state housing, land development and planning agencies, together with greater engagement of local government, have been highlighted as key areas for greater collaboration.

Beyond governments, coordinating networks that promote regular and ongoing dialogue between policy-makers, funders, providers and regulators of affordable housing will be critical. Establishing a high level, multi-stakeholder Affordable Housing Industry Council with responsibility for policy and financial advice, to guide industry development and review and partnership building, would be one means by which such collaboration could be fostered and steered.

Policy setting and regulation

There is evidence of a lack of historical clarity and consistency concerning the vision for, and social goals of, an expanded affordable housing industry centred on not-for-profit providers across Australia. An enhanced national framework should start with a determination of the vision and key social goals for an affordable housing industry. Desirably, such direction setting would take into account both the significant level of demonstrated unmet need for social housing and the affordability problems of those in the gap between where social housing is targetted and the private market – in other words, the aim should be to assist a range and mix of lower income households with a variety of products.

After social goals are determined, core requirements applying to providers will need to be defined and set down in a regulatory code (and possibly legislation). These should cover: core standards (principally about housing design and location, construction, maintenance and service delivery); rent setting and affordability benchmarks; eligibility and allocation policies; rights to occupancy; any corporate governance requirements that are beyond the corporate regulator's jurisdiction (such as tenant accountability); provider business limitations (e.g. on scope of activities) and financial risk management (e.g. liquidity requirements); and ownership and preservation rules for housing assets. Once these purposes, rules and standards are settled and financing packages are put in place, providers can adopt business models that will optimise their ability to contribute to expansion of the sector and regulators can supervise, benchmark and compare their performance.

Capacity building

There are roles for governments, peer networks and individual providers in capacity building. One of the first tasks of the proposed national industry council or similar should be to formulate a strategic approach to different kinds of capacity building activities for the industry as a whole, ranging from corporate governance measures through training and skills development to promotion of professional support services. Once a framework is established, implementation could occur through state based plans that can take account of historical legacies, state priorities, and the diversity of operating environments and different housing market opportunities and risks that are facing the industry across Australia.

Another important element of capacity building will be a commitment to a range of research and development activities, including enhancing information about the industry such as by utilising regulators' data bases and periodic surveys of providers and residents, a dedicated research program and a systemic approach to evaluation that covers policies, providers and projects.

Overall

In response to the ultimate research question posed of this study – what new approaches would improve the operating environment for affordable housing services in Australia? – our study finds that the key next step is bringing together, harmonising and sustaining the disparate elements of innovative practice in Australia under one coordinated national framework for policy setting, funding, regulation and capacity building. The achievements of the fledgling not-for-profit affordable housing industry to date suggest that significant public policy benefits and highly positive outcomes for tenants will result from building a well designed, well funded, well regulated and well maintained affordable housing policy model that utilises not-for-profit providers.

1 INTRODUCTION

1.1 Project aims and research questions

This report examines the emergence and growth of not-for-profit affordable housing developers in Australia over the period 2004–08. The report builds on and updates a previous AHURI funded study of the engagement of not-for-profit organisations in developing affordable housing, which was completed in 2004 (Milligan et al. 2004). The affordable housing that is the subject of these reports is housing that is procured by not-for-profit providers using a mix of public and private finance for renting, at rates that are below market levels, to low and moderate income households in housing need.

The previous study presented a detailed description of the major not-for-profit providers of affordable housing and included a limited analysis of emerging financial and governance arrangements. It found that several non-government housing providers in Australia had demonstrated promising outcomes after adopting new procurement, financing and delivery models for affordable housing, but concluded these positive results were unlikely to be expanded at scale without further support from government and additional financial incentives.

Since 2004 there have been significant developments in the funding, policy, regulatory and delivery frameworks for affordable housing. The main purpose of this follow-up study is to assess these strategic developments and their impacts and to discuss the implications for the emerging national policy framework for affordable housing provision.

The not-for-profit affordable housing developers that are at the centre of the study can be characterised as having:

- A social goal to provide well located housing that is affordable for a range of low to moderate income households;
- Financial capacity to secure their own housing finance and assets;
- Organisational capacity and skills to initiate, develop and maintain a portfolio of housing assets; and
- A strategic intent to operate at a scale that would be sufficient to generate additional housing production on a regular basis, achieve operational efficiencies and help to generate further innovative responses to defined housing needs.

1.1.1 Research questions

The research questions set by AHURI Ltd to guide this study were:

1. What innovative types of models of affordable housing provision (not already documented in AHURI research) are operating in Australia?
2. How can various models of affordable housing provision be classified (in terms of financial and governance variables)?
3. What are the key governance features of the different models on offer?
4. What impacts have these models had on improving affordability and other outcomes for households?
5. What are the key financial outcomes for affordable housing providers (e.g. in terms of leveraging outside finance, overall cost to benefit of projects for

different models? How do they compare to alternative affordable strategies (e.g. public housing)?

6. What innovative strategies, policies, tools (not already documented in AHURI research) used by local and international providers might be employed by Australian providers to expand the supply of affordable housing?
7. What new approaches (e.g. government regulation) or policy development would improve the operating environment for affordable housing services in Australia?

1.2 Previous research: key findings

The 2004 study of not-for-profit affordable housing developers was the first of its kind in Australia. It highlighted the emergence of a new form of affordable housing provider in the Australian context: non-government housing organisations that harnessed resources from a variety of government and private sources to invest in housing for rent at sub-market levels to lower income households. A potential for such agencies to facilitate access to home purchase for their target groups was noted also, but this was not occurring at the time of the study.

In 2004, the number of active organisations and the size of their property portfolios were extremely small. The seven largest providers had developed around 1,200 units of affordable housing over the preceding decade (Milligan et al. 2004). Nevertheless, assessment of the contributions of those agencies, when combined with international evidence of what can be achieved by using large, dedicated affordable housing developers, indicated that there was considerable potential for growth and innovation in this field. The experiences of existing providers and consultations with leading stakeholders that were undertaken subsequently (see Milligan 2005) suggested that an integrated package of measures – to be implemented by all levels of government acting in close consort – would be required for an affordable housing market of not-for-profit enterprises to develop in Australia. The framework of measures that were proposed included:

- New housing policy settings, financial incentives and associated institutional arrangements to attract private investment;
- The development of planning policies to actively promote affordable housing, and linking these more directly to housing policies and funding; and
- Enhancements to the organisational and financial capacity, governance and regulation of delivery agencies in the not-for-profit sector (Milligan et al. 2004, Milligan 2005).

Researchers involved in this study have contributed to several recent research projects that have produced additional knowledge and understanding about affordable housing since 2004. As mentioned above, a policy development forum held with invited stakeholders and experts in 2005 produced a blueprint for the development of a viable affordable housing industry in Australia and set out specific policy actions required in each sphere of government to achieve a strongly coordinated approach (Milligan 2005). A case for, and a framework to enable, systematic evaluation of affordable housing policies, providers and projects was published in 2007 (Milligan et al. 2007). Two reports on the use of planning measures to improve housing affordability, in general, and to promote, produce and protect affordable housing, in particular, were published in 2007 and 2008 respectively (Gurran et al. 2007, 2008). These reports compared features of planning policy for affordable housing in a selection of countries and considered conceptual and practical implications for Australian planning systems. A companion study of international trends in housing and national policy responses included detail on directions and innovations in affordable housing that have been introduced in response to contemporary housing affordability challenges in a dozen developed countries, and discussed their potential application in the Australian context (Lawson and Milligan 2007). The most recent study (Phillips et al. 2009) addresses normative and empirical questions about linkages between existing housing assistance policies and programs and new directions for funding and delivering additional affordable housing across Australia. These reports are drawn on as appropriate throughout the study.

This study offers a timely opportunity to assess progress in policy and practice against the benchmarks and proposed directions laid down in the earlier research. A key focus is how far we have come in establishing a viable and sustainable affordable housing sector and what additional policy effort will be required.

1.3 Scope of update

The update study was undertaken during 2008 and the early part of 2009. As will become apparent later in the report, this was a very active period of policy adjustment and saw the launch of new housing initiatives, particularly by the new Australian Labor government elected in November 2007. Towards the end of the study period, major changes in the financial and economic environment associated with the global financial crisis were also beginning to have an impact on housing markets generally and affordable housing providers specifically. Some particular impacts that were beginning to emerge as issues for the sector included: access to credit; an oversupply of newly developed private housing for sale, especially in the apartment sub-market in many cities; and opportunities for significant direct government investment in social housing to be owned and/ or managed by not-for-profit organisations under an economic stimulus package, the Nation Building and Jobs Plan (COAG 2009). All of these factors have to be included in the assessment of the current and foreseeable operating environment for affordable housing providers in Australia.

To undertake the update relevant policy developments were assessed for all jurisdictions in Australia. Primary research was also conducted in all states and territories, with emphasis given to those regions where housing associations are most active as developers of housing projects.

The study also has an international dimension. Building on international desk-top research on affordable housing policies previously conducted by several members of the research team for AHURI (see Lawson and Milligan 2007, Gurran et al. 2007, 2008), four in-depth national case studies of affordable housing policies and providers were conducted in Austria, France, Switzerland and the Netherlands. These case studies are discussed in chapter 5, which also provides an update of developments in relevant policies and practice that have occurred in a wider range of countries since the previous international studies, identified above.

Another major study that analyses the capacity of a selection of housing associations in parts of Australia, the UK and the USA has provided important additional insights (Gilmour 2009). Some of the research for that study was conducted in parallel with this project and some interviews for the two studies were held jointly in Victoria. A visit to San Francisco by two members of the research team, in conjunction with Gilmour, has also provided additional insights for this study from direct observation of the operation of not-for-profit affordable housing policies, organisations and projects in that city.

1.4 Methodology

This section describes the main methods used to collect information for this study. In Australia, these included surveys of provider organisations; interviews with organisational staff, stakeholders, partners and other key informants; group discussions with tenants of affordable housing projects and analysis of a variety of key documents from governments and organisations. Specific methods used and consultations conducted for the international component of the research are described also.

1.4.1 Survey of organisations

Drawing on the research team's knowledge of the main players in the affordable housing sector, established in the 2004 study, nine organisations that were procuring and operating to scale as developers and owners/managers at the start of this study were surveyed initially. The survey was designed to collect primary data from these providers, to construct a map of current provision and to help identify leading developers suitable for further analysis.

The survey tool gathers data on organisational operation, functions and scale; client groups serviced; housing ownership and management; housing development activities, success factors and challenges experienced in procuring housing (based on two example developments for each organisation); and aspects of governance and regulation. A draft version of the survey was sent to one major provider to 'road test' its usefulness and efficacy. Following a feedback interview with the general manager of that organisation, the survey was modified and new questions added[1] .

The results of the survey, which are included in the description and analysis of providers given in chapter 4, also highlight the extent of organisational continuity and change from 2004.

Only those providers that had initiated and completed their own construction projects were surveyed for this study. However, the survey instrument was designed so that it could be used on a regular, ongoing basis to monitor developments in this rapidly changing field and to emulate practice internationally. For example, the Local Initiatives Support Corporation (LISC) in the USA uses a similar tool to assess its local housing providers. Its survey of community development corporations in the Bay Area, San Francisco in 2004 provided a working example of an organisational survey that was adapted for this study (www.bayarealisc.org).

1.4.2 Interviews with leading players

Following on from the survey, semi-structured interviews were conducted across Australia with leading staff of the key affordable housing providers and with a variety of policy-makers and a small number of stakeholders associated with growth in the sector, including financiers, regulators and industry partners. Heads of a selection of already well established housing associations aspiring to grow were also included among those interviewed. The list of prospective respondents was not predetermined, so that current not-for-profit developers could be contacted as they were identified. The aim was to reach all not-for-profit developers that had initiated and completed more than one housing development in recent years in Australia.

The interviews were designed to complement the survey information with qualitative assessments of the challenges and opportunities being experienced in developing

1 The survey, schedule of interview topics and an outline of discussion points used to guide the tenant group discussions (see sections 1.4.2 and 1.4.3 respectively) is available on request. Contact v.milligan@unsw.edu.au

and implementing growth strategies. As well, more information on key projects and operational policies was collected from individual organisations to assist in the task of classifying the scope and business of each housing provider. Interviews were typically about 90 minutes long; transcripts of these provided a rich source of primary data for the study. Wherever feasible, interviews were conducted face-to-face. The exceptions were those for target respondents who were unavailable at the time of a local visit, respondents in Western Australia (because project resources were insufficient for a visit), and agencies that were not identified until after field visits to their area had been completed.

In total fifty-seven separate interviews were completed in Australia. Most interviews involved one respondent but there were interviews with up to five participants present. A full list of those interviewed is given at Appendix 1.

1.4.3 Focus groups with residents

One focus group was held with residents in affordable housing developments in each of 3 jurisdictions that had well established affordable housing developers (NSW, Queensland and Victoria). Both metropolitan and non-metropolitan areas were represented. A total of 16 people attended the three sessions, which lasted for about 90 minutes each. Participants were invited to attend by their local provider who was asked to select tenants that would yield a mix of socio-demographic characteristics. Four last minute apologies were received from invited participants in one group. Each group was attended by two researchers and the conversation was recorded manually and by audio tape. An overview of the findings, which are reported in chapter 4, was offered to the participants as feedback.

1.4.4 Document analysis

Other sources of information for the study included policy documents of government agencies involved in the affordable housing field; the annual reports, strategic plans and documented policies of the leading providers identified during the study; a wide range of websites maintained by providers and other housing agencies; and relevant data collections including statistical reports, program information and tenant surveys.

Specific data for the analysis of projects was provided on request by a sample of providers. More information is provided in section 4.2, which deals with the results of this aspect of the study.

A catalogue of affordable housing projects located on the websites of agencies included in the study was also compiled, using a methodology developed by architect Michael Zanardo. The catalogue comprises: photos of each project (where provided); ownership; the status of each project (whether completed or under development) and completion or occupation date; a description of design elements, tenure mix and bedroom numbers; target client groups where described; and any project awards or additional innovative features (e.g. environmental) that were noted.

1.4.5 International research

International research involved an update of previous research as discussed above and closer examination of national case studies that offered innovative financing and regulatory policies of potential relevance to Australia. Approaches in three countries, Austria, Switzerland and France, were selected for in-depth analysis for reasons that are explained later in the report. A brief update on a fourth case, the Netherlands, which has led the way in the development of a large independent not-for-profit housing sector (see Milligan 2003), has also been included to reflect significant issues currently emerging in that country. Following the conduct of background research on the evolution and operation of policy strategies in these case studies, sixteen face-to-face interviews were conducted with key informants, based in government, peak housing organisations, individual provider organisations and financing institutions across the four countries. Additionally, the researcher of this component of the research, Dr Julie Lawson, corresponded with ten country experts. These overseas informants to the study are listed in Appendix 4. Direct collection of information via these methods has provided the basis for improved understanding of how national policies applying to the not-for-profit sector work in practice, as demonstrated in chapter 5.

Several papers produced from this international research have also been prepared and represented at international conferences. These have helped to test and validate the emerging findings and provide additional information on the case studies included in this report (see Lawson 2009, 2008, Lawson and Elsinga 2008, Milligan and Lawson 2008).

1.5 Report Structure

Following this introductory chapter, chapter 2 provides a framework for defining and analysing a model for the supply of affordable housing using not-for-profit affordable housing developers and managers. It explains key concepts that have been adopted and describes the context for the policy interest in adding to the supply of affordable housing in Australia using not-for-profit developers. Chapter 2 also sets out a proposed classification system for these organisations, which could be used to track the rapidly changing dimensions of this industry. The chapter is concerned mainly with setting a framework for addressing the research questions.

Chapter 3 gives a jurisdiction-by-jurisdiction account of the current and emerging policy, funding and regulatory frameworks for providing affordable housing across Australia, with a focus on how the role of not-for-profit developers is being guided and organised. As part of the policy review, developments in the housing, planning and regulatory policy domains are examined separately in some detail. Thus, chapter 3 sets the initial context for examining the role and impacts of not-for-profit housing developers operating under government rules, guidelines and funding regimes. A critique of these policy settings and views about normative policy directions are considered later in the report, after presentation of the empirical analysis.

Chapter 4 offers the main empirical findings about affordable housing developers in Australia. The classification of providers is applied to give a picture of the characteristics of the main organisations in this field at present. The scale, functions, growth path, customer and geographic bases, and policies for affordable housing of the leading providers are then described in more detail. Issues and challenges facing growth providers from their perspective are also discussed and the findings of qualitative research into the views of tenants of affordable housing providers are presented. This chapter also includes the performance analysis component of the research, comprising reviews of the business models of the leading developers and the design and financing of selected recent development projects. In the light of this evidence, the chapter offers guiding principles for a further expansion of the sector. Chapter 4 presents the detailed response to research questions 1–5.

Chapter 5 is concerned with international developments in the policies, funding and regulations applying to, and the functions and performance of, larger scale not-for-profit housing organisations, with an emphasis on lessons learnt and innovative responses that may have application in Australia. Four country cases are presented along with an overview of other relevant changes in policy and practice that have occurred recently in a wider array of Western countries. Chapter 5 helps address research question 6.

The final chapter, chapter 6, draws together the key findings of the study and identifies policy requirements to help sustain and expand the provision of affordable housing by not-for-profit developers in Australia, thereby addressing the final research question.

2 ANALYSING AFFORDABLE HOUSING

This chapter sets the conceptual and historical context for the study. It begins by discussing the way the concept of affordable housing has developed and is used in this report. It then gives a brief account of the main triggers for recent shifts in affordable housing policy in Australia – identifying as key drivers intensifying need, a strong independent alliance of housing stakeholders and national political change. This is followed by a discussion of ideas and evidence about why governments directly support the provision of affordable housing and the role of not-for-profit organisations in that task. Next, the chapter posits normative elements of a policy model for enabling affordable housing provision and examines the rationale for using fiscal, planning and regulatory levers to underpin that model. (Ways that governments in Australia use these tools is the subject of chapter 3.) The penultimate section looks at what defines and characterises not-for-profit housing organisations. Finally, a practical classification tool that has been developed to encourage ongoing monitoring of the not-for-profit affordable housing sector in Australia is presented.

2.1 Affordable housing concepts

In the 2004 study, the meaning and usage of the concepts 'public', 'community', 'social' and 'affordable' housing in Australian and international contexts was discussed in some detail (Milligan et al. 2004, p 17). Each of these terms has a national and historic context and is subject to changing usage. In Australia, tenure, ownership and management arrangements, and allocation rules, have been the main differentiating characteristics of 'social' housing. Thus, social housing has come to denote rental housing funded and provided directly by public authorities (known as 'public' housing) or rental housing managed on their behalf by not-for-profit housing providers (known as 'community' housing).[2] Under both provider forms, social housing is allocated to eligible lower income households on a waiting list and, increasingly, under recent policy settings, priority is given to households which have one or more members that require additional support and services to live independently and maintain a tenancy.

'Affordable' housing, a term popularised recently in Australia, has taken on both generic and more specific meanings. In its broadest sense, the phrase is used to refer to housing for rent or purchase that is affordable to households whose financial capacity to obtain private housing is constrained. Such designated affordable housing could be funded, provided and regulated in a wide variety of ways. Thus traditional forms of social housing, other forms of non-market housing and market housing that meet affordability benchmarks are included under the umbrella of affordable housing. South Australia provides an example of how housing is designated affordable. In order for a developer to satisfy requirements to provide affordable housing in SA (see section 3.3.2), regulations set indicative price points and designate allowable classes of purchasers. The price points that are stipulated in the regulation (referred to also as the General Affordability Index) have been derived from an assessment of a moderate income household's capacity to pay for housing, using a cut off of thirty per cent of income. Price indicators are calculated for both metropolitan and non-metropolitan areas to reflect geographic differences in price, and are adjusted annually. Allowable purchasers are income eligible individual owner occupiers and government regulated or designated housing providers (Government of South Australia 2007). Under this approach eligible purchasers and social investors can obtain housing at, usually,

[2] Note that some community housing providers in Australia, particularly in NSW and Queensland, manage housing of private owners as well. This 'head leased' housing is allocated and subsidised in line with social housing rules and policies. Community housing providers may also own some dwellings, but this has been the exception until the last decade or so.

lower than prevailing market prices. A critical review of the concepts and measurement of housing affordability can be found in earlier AHURI funded research (Gabriel et al. 2005).

More narrowly, affordable housing has also been used by researchers, policy-makers and providers to differentiate some rental housing developed with government financial assistance from traditional social housing. Differentiating attributes usually include ownership, financing mechanisms, allocation rules and rent setting. In keeping with this usage, the 2004 study posited a specific definition for the purposes of identifying forms of affordable housing in the not-for-profit sector. In that study, affordable housing was designated as being housing:

- Initiated and owned by non-government not-for-profit providers for a social purpose;
- Financed through a mix of public subsidies and/or planning benefits and private equity and/or debt finance;
- Priced at below market rents; and
- Restricted to moderate and/or low income client groups (Milligan et al. 2004, p 5).

We have retained the 2004 study's applied definition for this updated study. However, in keeping with both the broader concept of affordable housing, which includes other tenure forms, and with developments in the role of not-for-profit sector that are discussed later, this definition could in future be expanded to include dwellings where the not-for-profit provider has some ongoing material interest in or responsibility for the housing – for example, as an equity partner or as a manager of allocations and/or prices for regulated forms of home ownership[3].

Application of the concepts discussed above also varies internationally. For example, some countries such as Austria and the Netherlands use social housing rather than affordable housing as an inclusive term for government assisted and regulated forms of housing provided for rent or purchase by not-for-profit providers. In other countries, notably UK members, the term 'intermediate housing' has become associated with affordable housing that is intended for moderate (rather than low) income households – thereby addressing what is perceived as a widening affordability gap (discussed in section 2.3). A term for similarly targeted housing that is used in the USA is 'workforce housing' (implying not 'welfare housing' perhaps). As usage is context specific, chapter 5, which discusses international cases, may imply local meanings for those terms that differ from those in the rest of the report. This is indicated in that chapter, where appropriate.

2.2 Background to affordable housing policy directions

2.2.1 The need for affordable housing supply

Affordability challenges in Australia intensified at the turn of this century. A major AHURI funded research project on housing affordability that reported over the period 2005–07 found that 862,000 lower income households in Australia were in housing stress in 2002–03[4], an increase of 24 per cent over the previous decade.[5] Because of

[3] Pinnegar et al. (2008) and Jacobus and Lubell (2007) provide further discussion of concepts and models of affordable home ownership, including shared equity and the role of not-for-profits in these schemes.

[4] Housing stress is indicated by households in the bottom 40 per cent of the income distribution after adjusting for household size paying housing costs of at least 30 per cent of their income (Yates and Milligan 2007).

the structural nature of the affordability problems identified by that research, it was predicted that those numbers could double in the next 40 years under realistic demographic and economic scenarios (Yates and Milligan 2007, p. 4).

Another relevant characteristic of affordability trends has been the widening of the groups that might experience problems. For example, there were 164,000 additional households in 2002/03 in housing stress when moderate income households (third quintile) who were paying at least 30 per cent of their income for housing were included in the data (Yates and Gabriel 2006). Focusing on recent market entrants shows that over 280,000 first home buyers across the income distribution were experiencing housing stress by 2005/06, after a period of rapidly rising house prices. Of those nearly a half (131,000) had housing costs that exceeded 50 per cent of their household income (Australian Government 2009).

Affordability problems are embedded in the way housing markets operate and are sustained by population and household growth (Yates and Milligan 2007). While many factors contribute to housing affordability trends, supply side aspects, including the availability of land; land development processes and policies; infrastructure costs; the cost of construction; and property related taxes are recognised widely as key components. The newly created National Housing Supply Council has identified a range of supply side constraints that are contributing to affordability problems for lower income households in Australia at present. In its first report on the state of supply, the Council identified an underlying annual supply gap of 85,000 dwellings in 2008, and projected a cumulative supply gap of 431,000 dwellings by 2028, based on current production trends and population and household demand projections (Australian Government 2009).

More particularly, in the context of this study of affordable housing, the Council highlighted a significant shortfall in affordable private and social rental housing for lower income households. Social housing dwellings fell from 400,000 in 1996 to an estimated 390,000 in 2008. In the private rental market there was an absolute shortage in 2006 of 146,000 dwellings that were affordable for households in the first quintile of the income distribution (Australian Government 2009). This represented a sizeable increase on similar measures taken in the two preceding census years: 1996 when the comparable number was 79,000; and 2001, when it was 56,000 (Yates et al. 2004). The size of the supply problem is amplified by two other indicators. First, that Australia needed to provide an additional 80,000 social housing dwellings between 1996 and 2008, just to keep pace with household growth; and second, that when the availability of lower cost (affordable) rental housing was taken into account, there was an effective shortage of 251,000 private rental dwellings (Australian Government 2009)[6].

2.2.2 The context of policy change

Starting in Victoria in 2001, several state and territory governments began to look for new ways of directly addressing shortages of affordable housing in the face of growing unmet need, deteriorating affordability and declining national funding for social housing (Milligan et al. 2004). Central among the range of affordable housing strategies being introduced were new investment programs specifically designed to

---

[5] This increase mainly reflects trend growth in household numbers as proportions of households paying greater than 30% their income for housing remained fairly constant between 1995/96 and 2003/03. However, the share of all households with affordability problems who are in the lowest income quintiles has increased, reflecting a deepening problem for those least able to pay (Yates and Gabriel 2006).

[6] Lower cost housing is considered ‘available’ for lower income households when it is not occupied by a higher income household.

encourage not-for-profit developers of affordable housing. We pick up the story of what happened to these specific initiatives and other associated policy changes after 2004 in the next chapter of this report. Below, we briefly review how pressure for the changes in policy that have come about gathered momentum over the period 2004–08.

Stubborn levels of housing stress and deteriorating affordability in Australia over the last decade or so have fostered an intensive period of research and advocacy focused on housing policy change. Much of the direction of this body of activity has been to establish a new national policy framework for affordable housing and to identify suitable large scale financing mechanisms. Beginning with the extensive work of the Affordable Housing National Research Consortium (AHNRC 2001), a series of research reports (Wood 2001; McNelis et al. 2002; Berry 2002, 2003; Allen Consulting Group 2004) examined and compared policy and financing options. Drawing on this research record, in June 2004 a ‘national affordable housing summit’ was convened by a broad coalition of industry, union and non-government organisations under the leadership of Professor Julian Disney, as independent chair[7]. Since that time, this group has maintained its call for action on affordable housing and has developed detailed proposals for a national affordable housing agreement with increased public funding and, later, a tax credit incentive, labelled as a National Affordable Rental Incentive (NARI) (Housing Summit, 2007). Following the inaugural summit in 2004, the coalition hosted a further series of state and national forums to discuss and develop their ideas during 2006, 2007 and 2008.

In parallel with the public campaign on housing affordability, housing officials from across Australia were engaged from 2004 to the end of 2007 in an intensive period of collaborative policy development under ‘The Framework for National Action on Affordable Housing’ (the Framework) (HPLGM 2005).[8] The Framework had its genesis in the 2003 Commonwealth State Housing Agreement (CSHA), which incorporated a new principle to ‘promote a national, strategic, integrated and long term vision for affordable housing in Australia through a comprehensive approach by all levels of government’ (CoA 2003: Principle 11).

The framework proposed that the following four commitments should be pursued over a three-year period to 2007/08:

- Development of a National Sector Development Plan to build capacity in the not-for-profit sector to enable that sector to become involved in larger scale affordable housing projects;
- Adopting a national approach to defining affordable housing need at geographic levels that can be reflected in planning policy and regulations;
- A review of existing subsidy streams with a view to improving their effectiveness and to strengthen certainty of government investments; and
- Identifying additional subsidy and financing options – involving demand and supply side levers and revenue measures – that could support an expansion of affordable rental provision and home purchase by lower income groups.

[7] Original members of the coalition included the Australian Council of Social Services (ACOSS), the Australian Council of Trade Unions (ACTU), the Housing Industry Association (HIA) and the National Housing Alliance. The Alliance, in turn, included the Community Housing Federation of Australia (CHFA), the Construction, Forestry, Mining and Energy Union (CFMEU), National Shelter and the Urban Development Institute of Australia (UDIA), as well as ACOSS and HIA. (see www.housingsummit.org.au)

[8] A copy of the framework and details of the work program are provided in Milligan et al. 2007.

There has been almost no public disclosure of the outputs of this process. However, in July 2007, all eight state and territory housing ministers issued a communiqué calling for a new national housing agreement to respond to six key issues and trends, to:

- → Secure the viability of the social housing sector now and into the future;
- → Increase the supply of social housing;
- → Improve housing affordability for private renters;
- → Improve access to affordable home ownership;
- → Increase the supply and distribution of affordable housing through new development and redevelopment projects; and
- → Increase housing opportunities for Indigenous people[9].

In July 2007 the Australian Labor Party (ALP), then in Opposition in the national parliament, called its own national housing affordability summit to discuss housing policy directions, which brought together a broad ranging group of experts, industry leaders and the key stakeholders who had been active in the 2000s. Throughout 2007, the ALP made a series of policy announcements about housing that included a commitment to a new national affordable housing agreement and a new national rental affordability scheme that offered tax credits (or, in the case of not-for-profit providers, grants) to invest in affordable rental housing (Rudd et al. 2007). Both of these proposals strongly reflected key elements put forward through the Housing Summit Group and discussed at the 2007 ALP-convened summit[10]. Following the election of the Rudd Government in November 2007, implementation of a wide range of affordable housing policy initiatives began, as discussed in chapter 3.

2.3 Arguments underpinning supply side policies

2.3.1 History of supply side policies

Various rationales for government funding of housing supply can be identified in the comparative literature on national housing policies (Malpass 2008, Tutin 2008, Bengtsson et al. 2006, Lawson 2006, Harloe 1995). One of the earliest reasons given for direct investment in housing by governments was as a means to address inadequate and poor quality housing of workers, particularly at the close of the nineteenth century, during the end of an era of laissez faire liberalism. This direction generated a range of innovative responses, from self-help cooperatives and limited profit companies to municipal housing providers, thereby establishing the foundations of social housing systems that expanded in later decades. Subsequent war-time destruction gave impetus for mass house building programs, particularly during the 1950s, 1960s and 1970s. When rapid responses were necessary, these were built largely on the earlier social housing initiatives. As the need for additional housing was perceived to have declined, concern for providing more housing choice became more prominent in the 1970s and 1980s, especially during an era of tightening of public budgets and public sector borrowing constraints. From the 1980s, the prevailing ideology of neo-liberalism gave rise to a policy shift that placed much greater reliance on the private market to address housing needs and, consequently, there was a widespread move away from bricks-and-mortar subsidies towards assistance directed to individuals (referred to as demand side assistance) for those ‘outside the market’,

[9] Communiqué by State and Territory Housing Ministers, A New National Housing Agreement, July 2007, mimeo.

[10] Two members of the research team attended the 2007 Summit.

and the almost universal promotion of home ownership. Consequently, social housing supply stagnated or fell in many countries. One aspect of the privatisation policies of this era, which is relevant to this study, was the growth of not-for-profit providers of housing. This resulted in a move away from public provision in favour of alternative not-for-profit providers, notably in the UK, the Netherlands, the USA and Canada, where large scale asset and tenant transfers took place (Lawson and Milligan 2007). The move has been described by some as offering a middle ground or third way, between market and state (for example, Evers and Laville 2004 and Mullins and Riseborough 2000, quoted in Gilmour 2009).

The most recent phase of supply side policy reasoning dates from around the start of the twenty-first century and is now being dramatically underscored by the global financial crisis which was generated by 'sub-prime lending' in the USA. This phase reflects mounting recognition among governments around the world of stagnating housing production levels ('new housing shortages'), and acknowledgement that housing markets often do not serve the needs of many low income households (by contributing to social exclusion, among other problems) and recently that they have failed to respond to the housing needs of moderate income workers, hence they have contributed to labour market problems. The dictum of home ownership as a solution for all income levels is also being reassessed amid escalating foreclosures. This heralds a new era of policy (see chapter 5) grounded in revitalising social housing programs and public and private partnerships for affordable housing. Up-scaling of efforts in this direction has drawn significantly on previous policy experiments that aimed to channel more private finance into affordable housing supply, as well as to make greater use of planning mechanisms to deliver well located land for the development of affordable housing. The preferred delivery vehicles in most cases are not-for-profit providers, either operating alone or in public private partnerships, and joint ventures.

2.3.2 Rationale for supply side policies

A number of principles can be discerned from the historical record of supply orientated housing policies.

The first of these principles is that the private housing market responds to expressed demand and therefore is unlikely to respond to the less profitable end of the market, if higher and less risky returns can be found elsewhere. Ultimately, the market allocation mechanism, ability to pay, filters the best located accommodation to those able to pay the highest price and the worst, least accessible dwellings to those least able to pay.

However, markets are more complex than indicated by that explanation. In particular the limited scale, complexity and imperfect structure of private rental markets have presented key problems in modern housing systems. Providers of rental housing are often small and accidental investors, oriented towards potential capital gains and possibly to taxation benefits, rather than to procuring a steady stream of income via rent revenue (for example, Seelig et al. 2009). There is often a lack of market information on the side of both consumers and producers of rental housing. Small scale private landlords tend to be unresponsive to rental market demand, selling when capital is required for other purposes and, for this reason, they make inherently insecure landlords. In many countries, the private rental market is simply inadequate, both in size and structure, to absorb low income households and provide security of occupancy.

Social housing can be seen as a means of providing for needs that will not be met by the kind of markets illustrated above. With stable and adequate supply side subsidies, a social housing sector can ensure the provision of decent quality housing, which is acceptable to the wider community but is allocated on the basis of need rather than on the ability to pay. This notion forms one aspect of broader conceptions of the role of social housing in housing markets, as market correcting, competing or replacing[11].

A second reason for adopting supply side policies arises from questions about the efficiency of demand side strategies under inelastic supply conditions. Demand assistance in weakly regulated rental markets with low vacancy rates may actually inflate rents, pricing out low income households from well located quality housing. Furthermore, demand assistance only assists those who have actually found accommodation and does not assist those households who are waiting for it. From the 1990s we have seen increased reliance placed on demand side subsidies in most countries. In some, including Australia, the cost of this assistance has surpassed the level of public investment in new dwellings. The shift has occurred in the context of increasingly tight housing markets and rising housing costs. Experience of several decades of predominantly demand side strategies has led to views that they have resulted in a higher level of government expenditure than would have occurred with a more balanced mix of supply and demand side assistance, designed to ensure not only adequate levels of new construction but also to moderate housing costs (Yates and Milligan forthcoming, VROMraad 2007). Thus, it is argued that in problem markets, the provision of decent, appropriate and well located housing is facilitated by supply policies which deal with deficiencies in land, finance and construction markets. These policies can be complemented by additional demand side assistance for those whose incomes are too low to afford cost rents (Ludl 2004, MacLennan 2005). Supply side subsidies can also channel efforts to invest in and promote adequate levels of production and generate a valuable, long term community resource for several generations, providing a continuing service to households who need it.

Social housing production also helps to achieve other important socio-economic and environmental objectives, such as social integration, environmentally sustainable urban and housing design, and stability in the construction industry (Oxley 2007, Yates and Whitehead 1998). Recognition of these wider benefits leads to a third important reason for supply policies: to ensure the housing market plays a positive and stabilising role in the growth of national economies. Housing supply policies have been used to varying degrees as counter cyclical and moderating tools in both housing construction and consumption markets. Indeed, the containment of housing costs has long been used as a means to support family welfare, moderate wage demands, improve economic productivity and promote international competitiveness. Well located housing, close to economic opportunities, is also seen as a means to reduce transport and associated environmental costs caused by a mismatch of housing and labour markets. On the other hand, shortages in the supply of affordable housing near employment opportunities for low and moderate income workers, exacerbate social disadvantage and undermine economic prosperity (see Berry 2006a, 2006b).

Recently, we have seen striking evidence that healthy housing markets are not only good for households but that they are a crucial contributor to stable national economies and may be useful to overcome major flow effects stemming from bad national housing policies in a globalising financial and economic system. Facing stagnating levels of production, rising housing costs and a financial crisis with its roots in the troubled US housing market, many European and Anglophone countries are now returning to housing policy as a vehicle to counter economic recession (Aalbers, 2008). However, for some countries, such as Austria (discussed in chapter 5),

---

[11] For more on these ideas, see Kemeny (1995, 2001) concerning unitary, integrated and dualist rental markets.

housing policy has long been seen as a tool of economic prosperity, underpinning commitments to long term supply side policies based on inter-governmental agreements and strategic economic planning (Czerny et al., 2007). In other countries such as the UK, this has been a more recent realisation (Barker 2004).

The arguments above concern the role of supply side policies in contributing to well functioning housing markets and to broader economic conditions. There are also considerations that relate to how housing is delivered. This brings us to the final argument for maintaining a permanent supply of social and affordable housing: the role that social landlords play in ensuring the effective delivery of decent, affordable and secure housing to a diverse mix of lower income households. Typically, social landlords provide housing which is allocated using non-market mechanisms, on the basis of need, rather than on the ability to pay. However, while they operate under administrative rather than market procedures, as independent business entities they are also affected by market pressures and disciplines.

Delivery organisations can take a variety of forms, from public agencies through not-for-profit or limited profit associations to regulated private companies. In any one country a variety of providers can be engaged in provision and can have complementary or competing roles (as Kemeny's (1995) dual or unitary rental market typology distinguishes). Their impacts will depend to a large extent on the scope of rent regulation models and eligibility criteria chosen.

The task of social landlords to provide good quality housing to low and moderate income households can be defined by legislation and regulated by government or by independent agencies. To ensure their social task is achieved, regulations may include requirements to meet minimum housing standards for a defined cost, to keep administration and financing costs low, to reinvest profits in renovating stock and producing additional supply, and to support area-specific or population group policies that aim to improve social inclusion, promote economic opportunity, contribute to social infrastructure and adequate amenities, or to facilitate access to personal support.

The history and theory of housing policy interventions suggests that demand and supply side subsidies should be twin pillars of housing policy whose form and balance is tailored to industry conditions and changing local circumstances, linked to the capacity of land, finance and construction markets to respond to different incentives and penalties. In recent decades, demand side policies have dominated the policy armory, and appear to have contributed to growing housing affordability problems and a new round of housing shortages. Recently, there has been a reassessment of the role of affordable housing supply in terms of its potential social, economic and environmental contributions (Milligan and Lawson 2008, Oxley 2008). More than perhaps ever before, supply side strategies are being seen as a means to address simultaneously a multiplicity of housing issues, from individual affordability through urban decay and social polarization, to regional economic development and the provision of more sustainable and energy efficient housing. There are also attempts in several countries to improve the influence of tenants, as valued clients of social landlords, and re-assessments of the role of a broadly based 'social housing tenure' in contributing to housing careers, such as through providing for the acquisition of equity shares or rent-to-buy savings schemes. Not-for-profit housing providers have a central place in contributing to these tasks in many countries.

2.4 The framework for achieving affordable housing supply

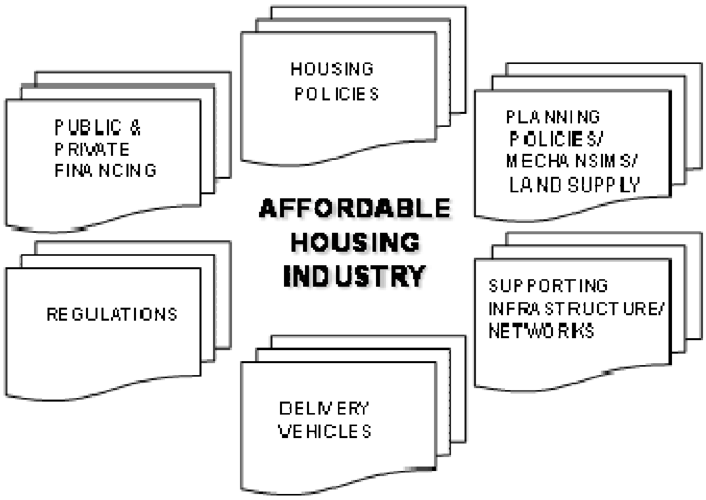
In normative terms, the key elements that would constitute a systematic approach to government enabled affordable housing provision utilising not-for-profit suppliers include the following:

- → A financing model that offers a cost-effective mix of public financial incentives and private financing, and associated funds management institutions;
- → Planning policies and mechanisms capable of ensuring the timely and cost-effective provision of appropriately located affordable housing, including opportunities for designated affordable housing providers to access well located and serviced government or commercially owned land;
- → A variety of providers capable of procuring and managing housing;
- → Public policy settings that cover:
    - o Requirements for affordable rents linked to subsidy assistance for those who cannot pay rent that is sufficient to achieve viability for providers;
    - o Well defined needs based eligibility policies and allocations criteria;
    - o A core set of housing and service standards; and
    - o Business rules relating to the realm of activities of providers, their generation and use of surpluses (or profits) and the control and preservation of assets generated through the funding and subsidy arrangements;
- → A robust regulatory system that is capable of giving assurance to governments, investors and customers that policy outcomes and financial and service requirements are being met, and that provider business risks are identified and managed. The regulatory regime must also include the power to redress cases of failing performance; and
- → Supporting infrastructure and capacity building measures designed to secure and maintain capability in the industry as a whole and among individual providers (see Milligan 2005 for a similar list).

Figure 1 provides a schematic representation that can be used to portray and analyse the operation of an affordable housing industry as described above[12]. In this section we consider in more detail the ways that funding, planning and regulatory levers can be applied to the task of increasing the supply of affordable housing using an independent delivery mechanism. Section 2.5 discusses the role of not-for-profit housing organisations as the delivery vehicles. Policy settings will be discussed in chapter 3 and capacity building in chapter 4.

[12] Nygaard et al. 2007 and Malpass 2001 explore some of the issues associated with government enabled social and affordable housing provided under a quasi-market model.

Figure 1: Framework for analysing an affordable housing market



Source: authors

2.4.1 Financing levers

There is a wide range of financial strategies that can be employed by governments (through their housing, welfare and treasury departments), financial intermediaries (both public and private) and housing providers (private, public and not-for-profit) to support the growth of affordable housing. The potential of these instruments can be assessed in terms of the quantity of housing that can be produced, capacity to influence the quality of housing outcomes and to promote innovation (towards the achievement of social, economic and environmental goals), value for money considerations and, importantly, the longevity of affordability and other social benefits that result from government investment.

Table 1 provides an outline of key types of options used by various governments to finance affordable housing and gives some general indications of their usefulness[13]. Typically, each mechanism that is applied operates as one part of a structured package of financial and non-financial levers in the illustrative cases that are cited. Under shifting market conditions, the weight given to the specific mix of instruments used can be revised, while the overall financing strategy continues to meet housing policy goals. This has been exemplified in Austrian housing policy strategy. During periods of low interest rates, Austria has increased the role of private finance compared to public finance, while also continuing to ensure that tax-privileged bonds have been channelled to providers. In periods of market shortages of finance, the role of public loans has been expanded to maintain supply. Through loan repayments, this

[13] Holmans et al. 2002 provides a fuller classification of the range of possible fiscal instruments that are used to promote affordable housing, grouping them by their operation on the demand side, the supply side or through regulation.

also helps to build a future investment fund. In chapter 5 we consider in more detail how the levers listed in the table operate in select countries.

In Australia, until recently, financing for social and affordable rental housing supply relied primarily on the use of public grants and, before the 1980s, on public loans. As documented in the previous report, a number of small scale programs that experimented with mixing public and private finance were introduced in Australia from the late 1980s but none of these had been developed to scale (Milligan et al. 2004, chapter 2). Thus, Australia does not have a long history of financial innovation for affordable housing, unlike many of the countries mentioned in table 1.

One of the main drivers of the shift to using not-for-profit housing developers in Australia is a local opportunity that exists for them to access an additional revenue stream in the form of a rent subsidy (known as Commonwealth Rent Assistance). This is available to eligible private (but not public) tenants, who are recipients of statutory income. Not-for-profit providers capturing this subsidy stream is being seen as a means to offset the additional costs of private financing, although the extra revenue that can be generated and any implications for affordability of the housing procured have not been assessed fully.

Table 1: Financing mechanisms for affordable housing

Financing mechanism	*Brief outline*	*Illustrative example*
Grants	Able to directly influence housing supply, but limited to available funds and political commitment to housing. Often used to lever and secure other sources of funds.	UK, Austria
Discounted land price	Traditionally, a key vehicle to manage urban development outcomes, where governments are major land holders. Can be applied specifically to affordable housing goals. Subject to land availability and market conditions.	The Netherlands, Austria, France, Switzerland, UK, USA states
Public loans	Traditionally, the primary financing strategy for social / affordable housing programs. Cost-effective fund raising. Revolving liquidity (through loan repayments) can offer longer term reinvestment potential. Recently, curtailed by public sector borrowing limits and the attractiveness of low private mortgage rates. As so-called 'soft' loans, public loans may not require the same security or repayment conditions as required for private finance.	Austria, as part of a package of structured finance, some USA states.
Protected circuits of savings for specified investments	Used to achieve a dedicated flow of affordable credit for affordable housing programs. Sustained in some countries, while others have dismantled them to improve competitiveness of local banks amidst foreign competition.	France (Caisse des Depot)
Private loans	Increasingly these play a role in financing affordable housing, either partially or entirely. Vulnerable to changing financial conditions and alternative investments. National approaches vary in cost-effectiveness and the appropriateness of the fund raising and distribution mechanisms that are used.	The Netherlands, Austria, UK
Interest rate subsidies	Useful in the early phase of a mortgage to reduce higher relative costs. Containing the cost to government over time relies on steadily rising wages and house prices and stable interest rates.	Widespread until late 1980s
Tax privileged private investment	Used to channel investment towards affordable housing and to compensate investors for lower rates of return and profit restrictions.	Austria, as part of a package. Australia (NRAS), USA
Government secured private investment	Government backed guarantees to reduce risks to financial institutions investing in affordable housing, passed on in lower cost of finance.	The Netherlands, Switzerland
Tax privileges for providers of affordable housing	Many countries provide a variety of tax privileges to registered organisations, for example, income and investment deductions, depreciation allowances, reduced sales and property taxes, exemptions from capital gains tax. These allowances compensate the efforts of the preferred providers towards achieving the social policy objectives of governments.	Widespread
Use of own reserves and surpluses	Mature housing organisations can leverage their balance sheets, reserves and surpluses to invest in additional housing. Funds raised may be pooled to support weaker organisations or to promote innovation and competition.	The Netherlands, Austria, Switzerland, France, UK
Use of tenants' equity	Some funding models incorporate a small tenant equity contribution. Governments may assist low income tenants to make this contribution. Larger contributions may lead ultimately to tenant purchase of dwellings.	Austria

Source: the authors

2.4.2 Planning and land policy

Internationally, planning and land policies have also played a critical role in establishing an effective affordable housing sector (Gurran et al. 2008). The urban and land use planning system can directly support affordable housing development by securing affordable housing in the right locations, having regard to accessibility and social mix. A range of specific levers can be used to achieve dedicated affordable housing in new development and during processes of major urban change or redevelopment. These are often called 'inclusionary housing' policies and generally ensure that a proportion of housing, land, or money for affordable housing is secured during new development or redevelopment processes. These policies or approaches differ from jurisdiction to jurisdiction, according to governance and legislative characteristics.

Dedicated affordable housing opportunities can be procured during government led land development processes (for instance, the approach undertaken historically by the Netherlands); through pre-determined zoning regulations (as occurs in many cities of the United States), through negotiated agreements (as in the United Kingdom), or as a target to be met by developers when new land is released for housing (as in Ireland) (see Gurran et al. 2008, for further information). Planning requirements for affordable housing are often supported by a range of voluntary planning incentives such as bonus development entitlements, concessions on development standards, or reduced fees. Some jurisdictions have attempted to rely solely on voluntary incentives to achieve affordable housing through the planning process, although the evidence suggests that voluntary incentives are far less effective than mandatory requirements.

When housing for fixed term affordable rental or for home purchase is secured through the planning process, ongoing preservation within the affordable housing sector may become important. Covenants or restrictions on resale to ensure that the affordable housing remains in the sector may be used to preserve the affordability component in perpetuity or for a defined period.

More broadly, an efficient land use planning system should facilitate housing development, including affordable housing development, by ensuring an adequate and timely supply of land and smooth approvals for appropriate housing in the right location. A well functioning land release and planning system relieves affordability problems arising from artificial supply blockages, and assists housing developers, including affordable housing developers, by reducing the time and cost associated with securing planning approvals. As discussed in the following chapter, while the Australian states and territories have been comparatively slow to use their planning systems to directly support affordable housing development, much of the innovation in Australian planning has focused on broad systemic reforms to reduce the time and costs associated with housing development more broadly.

2.4.3 Industry regulation

Definitions of regulation commonly refer to features that can be summarised as: the imposition by public agencies of mandatory requirements over matters of social importance in order to address the likelihood and consequences of market failure (COAG 2007; Kennedy 2001). The rationale for, and approaches to, regulation of not-for-profit affordable housing in Australia have been informed by international and Australian public policy trends in pursuit of 'best practice regulation'. The policy goal is to ensure that regulation achieves clear benefits with minimal compliance cost and restriction of competition (COAG 2007). Regulation is generally considered to be justified where it is necessary to ameliorate or avert the negative impacts of market failure on society, especially on consumers. However, concern about the cost of over regulation has led to many governments, including those in Australia, establishing review processes to cut red tape and minimise the burden of regulation on business and consumers (COAG 2007; Housing Corporation 2007; Kennedy 2001).

In social service provision (including social housing), public subsidies and vulnerability amongst service users add weight to arguments for regulation. A recent review of social housing regulation in England concluded that continued regulation is necessary to ensure that tenants receive good quality services and are treated fairly; that social housing contributes positively to community well-being; and that taxpayer investment is protected and achieves the desired outcomes (Cave 2007). Further discussion of the centrality of regulation of not-for-profits in overseas housing systems can be found in chapter 5.

Regulation may involve 'legally enforceable instruments… as well as government voluntary codes and advisory instruments' (COAG 2007 p3). In practice, regulation of social services often involves a mix of regulatory tools, such as registration, licensing and standards that operate either under statute or contracts (Kennedy 2001). This mixed model approach was re-endorsed by the review of social housing regulation in England (Cave 2007). The specific form of regulation needs regular review and may change over time as the nature of risk is better understood. For example, 'lighter touch regulation has been proposed in England in response to long term stability and the maturity of the housing sector (Housing Corporation 2007).

Recent initiatives to strengthen and provide a legislative base for regulation of affordable housing growth providers in Australia are detailed in chapter 3. Interest in the use of specific legislation to regulate not-for-profit housing providers gained momentum in the early 2000s as the sector developed and growth providers moved into more complex and large scale development and financial activities (NCHF 2003). Robust regulation is now widely accepted by policy-makers and housing providers as a pre-condition to expanded investment in not-for-profit affordable housing (various interviews). Sector support for strengthened regulation has been based on the public recognition it implies and recognition of the need to instill potential financiers and development partners with confidence.

Over the past decade, support for specific and strengthened regulation has grown in tandem with policies to invest in larger scale affordable housing providers (ARTD 2007; NSW Department of Housing 2007). The adoption by Housing Ministers in 2008 of the National Regulatory Framework and subsequent COAG agreement to national regulation (discussed in chapter 3) demonstrates a growing national consensus that effective regulation is one of the pillars for expansion and diversification of the role of not-for-profit agencies in social and affordable housing (ARTD 2007; COAG 2009).

The case for regulation, as articulated in contemporary state and national policy documents, can be summarised as the need to manage the risks associated with expanding not-for-profit housing provision. Particular attention is given to risks associated with increases in the scale and complexity of operations including property development functions, asset ownership responsibilities and use of debt finance (Housing Registrar 2007a; Housing NSW 2008; Department of Housing and Works 2008; ARTD 2007). These risks can be summarised as impediments to achieving the following outcomes:

- For government: achieving social policy goals and protecting significant public investment in growing not-for-profit providers;
- For tenants: ensuring tenant rights are protected and that housing and services are appropriate and of a high standard; and

- → For providers: establishing and maintaining a reputation for probity, viability, efficiency and performance.

The role of the regulatory regimes is therefore to manage these risks by ensuring the prudential, governance and operational performance and public accountability of the sector. This role can be summarised as to:

- → Ensure housing agencies are viable, well governed and properly managed;
- → Protect and ensure accountable and efficient use of resources and housing assets;
- → Build confidence in the public and private sector to invest in affordable housing; and
- → Ensure quality service delivery and positive outcomes for tenants.

In one sense, regulation of not-for-profit housing providers in Australia is not new as they are subject to a myriad of regulatory oversight as corporate entities; in relation to generic activities and, specifically, as community housing providers (Kennedy 2001; ARTD 2007). Contracts (including mortgages), program guidelines and standards in various forms have been, until recently, the most common approach to regulation. The exception is in South Australia, where legislation was introduced in 1991. Contracts increased in prevalence and complexity from the 1980s, in tandem with growth of the community housing sector and a proliferation of funding programs. These contractual forms of regulation generally relate to individual projects or funding programs resulting in providers entering into multiple contracts. Contemporary approaches involving statutory registration provide an opportunity to move the focus of regulation from individual projects to the organisational level and to provide more freedom to innovate in financing and developing housing supply.

In summary, the purpose and the rationale for specific, statutory regulation of not-for-profit affordable housing is to ensure accountability and manage the risks associated with public subsidy and investment in the not-for-profit housing sector. In particular regulation has a central role in securing the financial and public policy interests of the state, protecting the interests of tenants and promoting confidence in the sector (ARTD 2007; Housing NSW 2008).

2.5 Characterising not-for-profit housing developers

While not-for-profit housing providers[14] have a long history in many places, their role as sizeable developers of affordable housing is more recent, becoming a discernible trend in Western Europe and North America in the 1970s, and much later in Australia. The relatively recent growth in the importance of not-for-profit developers and builders of affordable housing is reflected in the fact that there is only a small research evidence base relating to their functions, outputs and performance, especially in Australia (Gilmour 2009).

Mullins (2008) has described not-for-profit housing providers generally as often being distinguished by what they are not; that is, they are not ‘public’ or ‘private’ (or ‘for-profit’). Although Mullins was referring to housing not-for-profits, this notion applies to not-for-profit organisations generically. So, in legal terms, not-for-profit organisations can and do make profits (or surpluses) but they are prevented from distributing those to their shareholders or members, unlike for-profit organisations. Instead, they are normally required under legislation / regulation to reinvest any surpluses to provide

[14] We are using the term ‘not-for-profit’ to encompass a range of similar terms in the literature including limited profit, non government and community housing organisations.

additional services. On the other hand, not-for-profits may have a similar public function to government agencies and may work closely with them, but they are not government organisations, essentially for two reasons. They cannot collect tax revenue and hence usually require some government funding and they are not directly publicly accountable and hence may need to be regulated to ensure accountability, as discussed above (Steinberg 1998). These distinctions help to clarify what not-for-profits are and are not.

In the housing domain, many factors beyond legal distinctions have been used to set apart the characteristics of contemporary not-for-profit housing organisations (see, for example, Bisset and Milligan 2004 and Koebel 1998). We do not examine these factors critically in this report but list some main ideas to help illuminate the characteristics of the agencies we are studying. Discourse about these organisations commonly identifies them as having many of the following, more or less tangible, attributes. Not-for-profit housing organisations:

- Have a core role in preserving housing affordability especially by providing long term rental housing[15];
- Have a local ('grass roots') base (i.e. they are grounded in local housing markets and communities) that can assist their effectiveness and responsiveness to diverse housing needs and opportunities;
- Exhibit organisational values that are strongly associated with community and personal development;
- Form strong collaborative links to other community based agencies (such as by being members of a partnership or network), especially to bring other services and benefits to tenants and to strengthen advocacy on their behalf;
- Encourage participation by their tenants in the running of the organisation so as to empower them and promote self-reliance; and
- Have the ability to innovate and create new ways of working to meet complex and diverse housing needs.

Abstracting from these kinds of specific qualities, not-for-profit housing organisations, like the broader class of organisations to which they belong, can be said to have values and missions that are oriented to contributing to social capital and community engagement (Putnam 2000, Koebel 1998).

Recently, some not-for-profit organisations have also been described as 'entrepreneurial' (Barraket 2008). This is in recognition of the trend for some organisations to move away from merely delivering government funded services and to take on greater financial responsibility and risks that are more akin to private sector providers. These typically larger, more financially independent organisations are sometimes characterised as hybrid organisations that apply a commercial discipline to a social purpose (Barraket 2008). Thus they can be conceived of as combining elements of both government and market logic in ways that may be distinctive[16]. Such commercially savvy but socially driven organisations are the bedrock of the affordable housing provision systems in Europe that are described in chapter 5.

---

[15] In many countries such organisations have also played a leading role in neighbourhood renewal to contain gentrification, although less so in Australia to date.

[16] Brandsen et al (2005) explore the potential usefulness of the concept of hybridity to explain what is distinctive about not-for-profit enterprise.

In particular, chapter 5 discusses the so-called limited profit organisations that operate in Austria, France and Switzerland. As discussed in more detail in that chapter, European limited profits organisations are expected to make returns, to a level set by government regulation, which must be reinvested in improving housing and constructing new affordable dwellings. As regulated agencies funded by governments, they must also demonstrate their cost effectiveness by adhering to defined dwelling standards and keeping rents down. Effectively, this set of rules and incentives (cost capping, allowing but limiting returns and reinvestment requirements) operate together to drive efficiency in a non-market (or quasi-market) context. Use of the nomenclature 'limited profit' also illustrates that how a model is described may be an important influence on government and community perceptions of its purpose and legitimacy.

In Australia, like elsewhere, not-for-profit housing organisations are highly diverse: for instance, they have arisen from different founding circumstances at different times, operate at various sizes, have different mixes of functions and services, address different housing needs and have varying geographies.

This study and its 2004 predecessor have been concerned with a small but increasingly prominent part of the larger network: organisations that have the financial and organisational capacity to undertake housing development, manage their assets and commit to a strategic growth plan (see section 1.1). Although such organisations are few, they, too, are diverse (as we show in chapter 4) and are adapting continually in response to their own experience, to different public policy opportunities or constraints, and to market cycles and conditions. Tensions endemic in their position between state and market and different normative views of how 'social', accountable, entrepreneurial, flexible, financially secure etc they should be, all influence their reputation and their opportunities for expansion.

There is growing interest in empirical and conceptual research on not-for-profit organisations, to which this largely empirical study makes a small contribution. However, a much more extensive program of research is required to understand the not-for-profit housing sector in Australia and to keep abreast of fast paced changes. One specific way that this could be facilitated would be to release publicly more of the growing body of regulatory information being collected on the sector, as argued by Gilmour (2009).

To assist AHURI or other groups to collect information for, and to frame future research on the emerging class of not-for-profit developers in Australia, we have developed a classification of their significant governance, functional and scale attributes which is discussed next.

2.6 Classification system for not-for-profit affordable housing developers

Table 2 sets out a multi-dimensional classification that could be utilised to describe and analyse the scale and main functional dimensions of the emerging delivery vehicles associated with the growth of affordable housing provision in Australia. The information contained in the classification covers core governance and operational dimensions of the delivery agencies that can be collected from published information, chiefly annual reports and detailed financial accounts. The proposed initial variables for the classification are defined in the table. Additional qualitative variables could be added – for example, relating to the values, ethos and behaviour of affordable housing organisations. These would need to be measured using more intensive qualitative or case study research, such as undertaken by Gilmour (2009).

The classification system has been designed to be robust over time, so it can be used to assist in monitoring the rapidly changing structure, function and size of the industry. Categories stipulated for each variable relate to the current character and scale of the industry. These can be adjusted over time as the sector grows and matures. In addition, other variables can be added as these become significant, for example, product mix or additional measures of risk. However, some of these may depend on regulators obtaining and releasing more standardised information to complement what is currently available from published sources. Multifunctional agencies can be assessed but the information included on their operations should relate, as far as possible, to their affordable housing services, to aid comparison.

2.7 Conclusion

The 2004 research on which this study builds predicted that there would be a greater role for not-for-profit housing providers to become larger scale funders and procurers of affordable housing, as worsening affordability problems, limitations to the capacity of public housing and strong advocacy to adopt new policy approaches to supplying affordable housing combined to influence government policy (Milligan et al. 2004). This chapter sets the scene for the research update. It revisits the concepts and terms used in the earlier report (section 2.1) and briefly updates the record on contextual factors that have shaped government directions since 2004 (section 2.2) to provide a backdrop to the analysis of what has happened to policy settings, which is given in the next chapter. The chapter presents arguments that are used to support the expansion of affordable housing using not-for-profit agencies, which are grounded in the comparative housing policy literature (section 2.3). It also describes a normative policy model for enabling affordable housing using not-for-profit housing organisations, which gives a framework for describing and analysing how the affordable housing industry operates in Australia, and in selected international cases (section 2.4). Finally, the key characteristics of contemporary not-for-profit housing organisations are described (section 2.5), and a classification system that will be used to catalogue the growth of these organisations is proposed (section 2.6).

Table 2: Classification for monitoring growth of not-for-profit housing developers

Variable Name	***Definition***	***Indicating***	***Categories***
Growth type	Qualitative measure of current role of agency in development.	Growth potential / direction and aspirations.	1. Established developers already procuring at modest scale. 2. Emergent developers intending to scale up, some with limited procurement experience. 3. Aspiring developers with some limited procurement experience, unclear growth path. 4. Growth partners (growing through management services linked to supply). 5. Traditional asset 'rich' service agencies expanding into affordable housing.
Asset base	No of dwellings owned (includes transfers).	Scale	1. <200 2. 200 – 500 3. >500 – 1000 4. >1000
	Value of total assets owned.	Worth, security.	1. <$10m 2. $10m – $100m 3. >$100m – $300m 4. >$300m
Annual procurement program		Procurement activity level.	1. <100 2. >100 – 300 3. >300
Development pipeline	No. of dwellings in approval or construction phases on sites under control of the agency.	Secured growth.	1. <50 2. >50–100 3. >100–200 4. >200

Variable Name	*Definition*	*Indicating*	*Categories*
Rent revenue	Annual gross rental income.	Scale	1. <$1m 2. $1m–$5m 3. >$5m
Ratio total liabilities to total assets	Liabilities as a proportion of gross value of assets.	Solvency/ risk profile	1. <5% 2. 5 – 20% 3. >20%
Dwellings under management	No. of dwellings managed, either owned or leased.	Service level	1. < 500 2. 500 – 1000 3. >1000
Governance	Status of incorporation.	Legal form	1. Company incorporated by guarantee. 2. Company incorporated by shares. 3. Other incorporated status.
	Board composition.	Capacity and skills	1. Skills based Board. 2. Representative Board. 3. Mix of skills and representatives.
	Role of government.	Independence	1. Government shareholders or appointees on Board. 2. No. of government appointees on Board.
Main housing functions		Service mix	1. Development only. 2. Development and management.
Main target group / rent setting	Income groups being housed by rent setting.	Income mix	1. Social housing equivalent. 2. Mixed income clients, fixed rents. 3. Mixed income clients, income related rents. 4. Moderate income clients, fixed rents.
Geography	Area of service.	Extent of service	1. Local 2. City/regional

Variable Name	*Definition*	*Indicating*	*Categories*
			3. State wide 4. Cross jurisdictional/ national
Housing market	Main sub markets for development activity.	Procurement experience.	1. Inner city/high density. 2. Neighbourhood renewal. 3. All metropolitan. 4. Fringe. 5. Non-metropolitan. 6. Metropolitan and non-metropolitan.

Source: The authors

3 NATIONAL AND STATE AFFORDABLE HOUSING POLICY, FUNDING AND REGULATORY FRAMEWORKS

Since the 2004 study, all State/Territory jurisdictions have been engaged in incremental expansion of policies and funding incentives to stimulate the provision of affordable housing through not-for-profit housing agencies. From August 2005, states and territories (states) and the Australian Government have also been involved in an intensive housing policy development process under the Framework for National Action on Affordable Housing. Of direct relevance to this project, this framework included a commitment to 'create a National Sector Development Plan for not-for-profit housing providers which will enable them to participate in large scale affordable housing initiatives' (HPLGM 2005)[17]. After its election in November 2007, the new Australian Government announced a wide range of housing initiatives, many of which have direct implications for the future role and significance of not-for-profit providers. In a major public speech to the Sydney Institute in March 2009, the national Minister for Housing, Tanya Plibersek, announced that the centrepiece of the Australian Government's social housing reform agenda 'is to facilitate the growth of a number of sophisticated not-for-profit housing organisations that will operate alongside existing state run housing authorities' (Plibersek 2009a, p5).

This chapter describes the evolution of affordable housing policies in each jurisdiction, commencing with the states, where innovations occurred first, followed by an overview of the recent national developments, led by the Australian Government. Information about each jurisdiction is organised into three components: affordable housing policy and funding; planning policy for affordable housing; and regulatory arrangements applying to the provision of affordable housing. Summary tables of key components of government policy are included also. Together, this information helps to define the policy context within which the individual provider agencies that are examined in chapter 4 operate. The chapter concludes by comparing the policy frameworks that are operating across Australia. Both convergent and divergent trends that are likely to shape the future of the not-for-profit sector are highlighted in this section.

3.1 New South Wales

3.1.1 Affordable housing policy and funding

Until 2004 NSW encouraged the development of additional affordable housing mainly through demonstration programs and small scale place based initiatives (Milligan et al. 2004). Only one dedicated affordable housing developer, City West Housing Ltd (established in 1994) was operating in NSW. Policy action in this area is coordinated through the specialised Centre for Affordable Housing within Housing NSW (formerly the Department of Housing).

In 2005, the NSW Government announced its intention to develop an 'affordable housing strategy' to increase the housing options of low and moderate income households (Milligan et al. 2007). Following a lengthy development process, in 2007 an Affordable Housing Innovation Fund (AHIF) of $49.8m over three years to 2009/10 was announced. Most of this funding was intended to be allocated as grants to registered community housing organisations (see section 3.1.3) that could contribute up to 40 per cent of project costs from other sources (fund raising, own equity or both)

[17] Milligan et al. (2007) provides more detail on the Framework for National Action on Affordable Housing.

to procure housing for long term rental. This model was known as a 'debt equity' partnership.

Policy guidelines for the supply of affordable housing by not-for-profit developers were not finalised until 2008. These and the interim arrangements that preceded them allow for 'affordable housing' to be allocated across a defined band of very low, low and moderate income households. Guidance includes the advice that allocation policies should take into account a range of considerations: 'financial viability; provision for allocations on a priority basis (to those with urgent needs); achieving a mix of income bands and household sizes in and/or across projects and matching of supply to need' (Centre for Affordable Housing 2008; p 6). Providers also have flexibility in rent policy setting, but the guidelines establish the expectation that rents for 'very low' and 'low' income households will not exceed 30 per cent of their household income (Centre for Affordable Housing 2008; p 7).

The NSW affordable housing strategy included a specific objective to build capacity among existing community housing organisations. This presented the first opportunity in NSW for over two decades for these agencies to undertake their own development projects. Under a new community housing policy framework: Planning for the Future: New Directions for Community Housing in New South Wales (Housing NSW 2007) introduced in 2007, a range of additional strategies to support significant expansion in the sector ('from 13,000 to 30,000 dwellings') was laid out. Several strategies were directed at selected providers to support their growth, improve their financial viability and enhance their capacity to undertake project development. These included: making community housing program funds available directly to the selected providers; increased rates of transfers of publicly owned social housing dwellings to them; transferring former public housing sites ready for redevelopment to them; and a 35-year leasing pilot scheme that was designed to deliver a longer term revenue stream necessary to raise private finance. Consequential changes to regulatory arrangements in the community housing sector have resulted in the designation of seven 'growth providers' – community housing agencies with demonstrated capacity to run larger scale businesses (property portfolios of 400 or more) and to manage borrowing and development activities, and 'housing providers' – smaller agencies that have performed well and may also undertake development, subject to regulatory scrutiny (see section 3.1.3).

NSW has also embarked on a major rent policy reform in the community housing sector which will assist with the longer term viability and growth of providers. From July 2008, registered community housing providers have been required, progressively, to set rents for their community housing stock, using a formula that maximises revenue to them from Commonwealth transfer payments that are received by the tenant. Under the reform, subsidised rent will be based on a percentage of assessable household income (25 per cent or less) plus 100 per cent of entitlement to Commonwealth Rent Assistance and 15 per cent of Family Tax Benefit (where that is provided). This move is expected to raise $23 million additional revenue per annum (2008 dollars) for the existing portfolio, much of which will be available for reinvestment in future supply (Housing NSW, internal documents, quoted with permission).

Approved projects under the AHIF have raised an additional $23.7 million from $22.9 million public investment, yielding 181 dwellings to the end of 2008 (Housing NSW, internal documents, quoted with permission). In 2008, unallocated funding in the AHIF was integrated with the incoming Commonwealth NRAS program (see below) so that not-for-profit developers in NSW could apply for a combination of Commonwealth and state funding incentives to develop affordable housing. Labelled as NRAS A in NSW, this approach was designed to increase financial leverage capacity and the pool of long term supply (noting that NRAS incentives expire after ten years) compared to if the two programs operated separately. This integrated initiative resulted in 287 allocations of NRAS incentives to not-for-profit providers in NSW (Centre for Affordable Housing 2009). However, lack of any additional state investment meant that NRAS A did not operate in round 2 of the NRAS bidding process, December 2008 – March 2009.

Over the last four years, NSW has demonstrated on a small scale how to effectively deliver an affordable housing model using a not-for-profit delivery vehicle and a mix of public and private financing, including by integrating Commonwealth and state incentives. However, to date, the level of state government investment that has been set aside for this purpose has been insufficient to offer a sustainable growth path for not-for-profit developers registered in NSW (see chapter 4). Nevertheless, the latest national initiatives (discussed in section 3.9) may provide the opportunity for further expansion in the near future.

3.1.2 Planning policy

The past five years have been a period of significant planning reform in NSW. While few of the changes relate directly to affordable housing, a perceived need to support residential development by simplifying planning requirements, reducing compulsory fees and charges, and granting faster approvals underpins the reform directions. For instance, the NSW Housing Code (operational on 27 February 2009) is intended to make residential development approvals faster and more affordable by establishing state wide standards for new homes and home extensions that comply with the Code. Reform to the processes and methods for development contributions in NSW has been ongoing also. Under changes to the EPAA, passed in 2008, there is now a limit to the amount that local councils may charge developers. This 'affordability threshold' is currently capped at $20,000 per residential dwelling / lot approval (operational February 2009). Controversial state government charges applying to the Sydney North West and South West growth corridors have been progressively wound back, with charges for transport infrastructure scrapped in late 2008. Under further changes, yet to be fully implemented, housing affordability will become a mandatory consideration when development contribution plans are made.

While these system wide changes are intended to improve housing affordability in general, they will be of limited direct benefit to affordable housing developers. However, social housing providers in NSW are now able to develop in designated locations near transport and services, without the need for rezoning (DOP 2009). Further, residential development by, or on behalf of, the NSW Department of Housing may now be carried out without the consent of the local council (subject to specified density, height, and design guidelines).

NSW also has a range of specific planning mechanisms that can be used to secure contributions towards affordable housing through the development process. These include a number of specific State Environmental Planning Policies (SEPPs) relating to housing, including housing for people with special needs, low cost and affordable housing. Key policies are SEPP 10- Retention of Low Cost Rental Housing; SEPP 70 – Affordable Housing (Revised Schemes); and Housing for Seniors or People with a Disability. In 2007, amendments to Housing for Seniors or People with a Disability SEPP included the introduction of a density bonus for the inclusion of Affordable Places. The density bonus of an additional 0.5 Floor Space Ratio (FSR) applies when on-site services are provided for residents and when 10 per cent of the development is secured for residents of very low, low, or moderate income at a rent of up to 30 per cent of their income. SEPPs 10 and 70 are currently under review, and there is speculation that a new affordable housing SEPP, consolidating and perhaps introducing new mechanisms for affordable housing contributions is being considered by the NSW Government (Shelter NSW 2008).

In 2005, a new mechanism was introduced to formalise negotiated planning agreements, which may include contributions for affordable housing. Under section 93F of the Environmental Planning and Assessment Act 1979, planning authorities (which may be local or state government authorities) may enter into formal agreements with developers for any public purpose, which explicitly includes 'the provision of (or the recoupment of the cost of providing) affordable housing' (s93F(2)(b)). While the provisions are strictly voluntary, Randwick and Canada Bay councils in the Sydney metropolitan area have used them effectively to secure affordable housing units in major redevelopment projects. In those instances, having strong affordable housing policies in local plans, which outline the circumstances under which such contributions will be sought and the expected level of contribution, has been identified as a factor that has assisted negotiation (Gurran et al. 2008). However, under the broader reforms to development contributions in NSW, outlined above, local councils will be unable to negotiate contributions for affordable housing through planning agreements, unless they have express ministerial approval (Environmental Planning and Assessment Amendment Bill 2008, s116V).

Changes to plan making at the local and regional level have some implications for affordable housing development. In 2006 a 'standard instrument' was introduced to achieve consistency in the form and content of local plans. The instrument is to be adopted by all local government areas, although to date implementation has been slow. As the standard instrument does not include any provisions relating to affordable housing, it is unclear whether existing and proposed provisions in local plans will be able to be incorporated within the new instruments.

3.1.3 Regulation

Enhanced regulation in NSW underpins state government policy directions of supporting growth and expanding investment in community housing (NSW Department of Housing 2007). Amendments to the New South Wales Housing Act 2001 in November 2007, provide a legislative base for the regulation of community housing agencies and replace the administrative Performance Based Registration System (PBRS) introduced in 2004. The amendments include objects emphasising community housing viability, social housing diversification and housing provision for 'people on a very low, low or moderate income' (Housing Amendments Act 2007 p. 2). The legislation is aligned to the national framework and includes provisions for the appointment of a Registrar of Community Housing; establishment of a registration system; and the making of regulations, including prescribing a regulatory code for registered housing providers.

The NSW legislation provides a more limited range of and less strong intervention powers than those in place in Victoria (see below), with NSW sanctions limited to deregulation. The NSW legislation is silent on issues of the state's interest in funded property, although this is likely to change in response to increasing ownership by housing providers of housing assets acquired through capital funding. The need for strong policy and legal frameworks for protecting public investment in housing assets will become a greater imperative if proposals to transfer title of department owned properties to growth providers are implemented.

Implementation of the new regulatory regime is in the early stages. The inaugural regulator was appointed in late 2008 and regulations introduced in 2009. The registrar is appointed by, and reports directly to the Minister, but the newly established regulation unit sits within the housing department. Proposed regulations were circulated in November 2008 as a public consultation draft.

The draft regulations include definitions for very low, low and moderate income levels referenced to median household incomes. They define four classes of registration and prescribe a regulatory code aligned with the national regulatory framework. The regulations also provide for community housing providers to be classified as Class 1 growth provider; Class 2 housing provider; class 3 housing manager; or Class 4 small housing manager. These classes of registration are not defined within the draft regulations or the Housing Act. The draft regulatory code comprises eight key outcome areas: fairness and tenant satisfaction; sustainable tenancies and communities; asset management; sound governance; standards of probity; protection of government investment; efficient and competitive delivery; and development projects. Provisions of the draft regulations apply differentially, depending on the class of provider, with minimal requirements imposed on small housing managers and all elements of the code applying to growth and housing providers.

3.2 Victoria

3.2.1 Affordable housing policy and funding

In comparison with other jurisdictions, Victoria was well advanced in establishing a policy and funding framework for growth of affordable housing at the time of our previous study. Its progress in this area has continued, and Victoria is now the leading funder of not-for-profit housing developers. As a result, the vast majority of the growth in supply through not-for-profit developers has been in that state. Victoria also has the largest share of the larger, established not-for-profit developers (seven of eleven, as discussed in more detail in chapter 4).

A key feature of the Victoria model has been consolidation of investment around a limited number of providers, known under Victorian legislation as housing associations. These are defined, in practice, as organisations assessed as capable of undertaking development (interview with regulator). Since 2004, Victoria has committed two tranches of capital funds, in 2005 and 2007, to enable housing associations that have become registered under the 2005 Act (see below) to finance and procure their own supply of housing, totaling $355 million. Initially, this funding was allocated on a submission basis for designated projects; more recently a competitive tendering process within the sector has also been used on specific sites, aimed at securing best value for the government's investment. To receive capital funding, housing associations are expected to raise funding for at least 25 per cent of total project costs from other sources, including their own equity, partner equity or borrowings. This helps to promote partnering between associations and other investors, which have included several church agencies, other welfare organisations and VicUrban, the government's land development agency. However, Victoria has not pushed as hard as some other jurisdictions (for example, see NSW and SA) on the minimum level of non-government contributions required. All eight registered housing associations have been recipients of some project funding. This has allowed most of these agencies to employ skilled project development staff in house and to boost their balance sheets (see chapter 4). As in NSW, Victoria's policy settings for independently owned affordable housing stock allow for a mix of incomes and give greater flexibility in rent setting than for traditional public and community housing. This approach is aimed at facilitating a wider social mix and providing a revenue base to support further growth of affordable housing (DHS 2006b). The government has negotiated with housing associations that a target of 50 per cent of allocations (of new and vacant dwellings) should be made to applicants on the public housing waiting list, across all four segments, which are based on an applicant's personal circumstances and need (DHS 2007).

While direct investment has been Victoria's main strategy for developing housing associations, there have been other smaller complementary policy changes. For example, 570 properties already under the management of the housing associations were transferred to their ownership in 2008 to boost their balance sheets and to encourage additional growth[18]. Similarly, outstanding liabilities to the state government of about $220 million for loans on assets acquired in the 1980s by one agency (Common Equity Housing Ltd) were converted to grants in return for cessation of recurrent subsidies for these dwellings in future.

Surprisingly, only two of the Victorian housing associations applied for NRAS allocations in the first round. This situation seems to have arisen because state funds had already been committed to the local growth strategy and NRAS incentives alone were insufficient to make additional projects viable in Victoria (various interviews for this project).

Through its approach to affordable housing supply, Victoria has signalled clearly a strategic intent to foster growth using a new arms length housing delivery vehicle, a Victorian housing association regulated under a custom built regulatory regime. However, at the time of writing, it was unclear what the future growth path for established Victorian housing associations would be. While some revenue surpluses are starting to build in the sector, these are far too small to generate capacity for a regular investment program. Another substantial cash injection would be required to maintain sufficient growth to consolidate the capacity building that has commenced in housing associations in this state and to maintain and enhance current supply volumes. Victorian housing associations are well placed, therefore, to benefit from the latest social housing investment fund in the Nation Building and Jobs Plan (see section 3.9).

3.2.2 Planning policy

The Victorian Government recognises a connection between the planning process and housing affordability in its housing policy framework, 'Towards an Integrated Victorian Housing Strategy – A framework to address our future housing challenges' (released in September 2006), which includes objectives relating to land supply, planning efficiency goals, housing diversity and choice. Consistent with this policy, the Victorian State Planning Policy Framework was amended in October 2006 to include specific objectives for affordable housing in well located areas (DHS 2006a, p9). The Victorian Government anticipates releasing the final Victorian Housing Strategy in 2009. Of relevance to planning are additional commitments to increase the supply of land for development, overseen by the Victorian Growth Areas Authority, and to continue improvements to the planning system to reduce decision times and development requirements (Premier of Victoria 2009).

These broader planning initiatives for housing affordability have limited direct implications for Victorian affordable housing developers. However, the Victorian Government's land development corporation, VicUrban, has developed several affordable housing initiatives in recent years. It now aims to achieve a target of 25 per cent of new house and land packages to be priced at the lowest quartile of the local market, and five per cent of projects to be offered to not-for-profit providers for affordable rental housing (VicUrban 2006). At the local level, a coalition of Inner Melbourne Councils (Melbourne, Port Phillip, Stonnington and Yarra) has been

[18] Recipient associations are required to raise 15% of the value of these properties in debt.

attempting to implement a regional model for affordable housing contributions, which would be triggered by a proposed planning overlay. A draft overlay was circulated in mid 2007. Nevertheless, further amendments to the Victorian State Planning Policy Framework would be needed to implement such a mechanism.

3.2.3 Regulation

In early 2005 Victoria adopted a regulatory regime for not-for-profit growth providers, enacted under amendments to Housing Act 1983, that is the most comprehensive and interventionist in Australia. The articulated objects of the legislation and subsidiary regulations include encouragement and development of the sector and serving the needs of low income tenants. Public sector study informants in Victoria argue that strong regulation increases confidence by private sector partners and financiers in the not-for-profit housing sector and has also been a pre-requisite for state government investment in the expansion of the sector, through both grants funding and transfer of government owned housing assets.

The legislation provides for the appointment of a registrar and a two tiered registration system for Housing Associations (growth providers) and Housing Providers (other community housing providers). Other provisions of the legislation deal with: the setting of performance standards to be met by registered agencies; the powers of the registrar; and powers of the Director of Housing to declare an interest in land owned by registered providers.

Subsequent regulations establish seven performance standards covering: governance; management; probity; financial viability; tenancy management; housing management and maintenance; and risk management. For each standard, several indicators and guidance statements have been established, with the national community housing standards used as a reference guide. Agencies are assessed against these standards prior to registration and at annual regulatory reviews. Assessments of registration applications are based on variables of scale and risk. Distinctions between the two tiers of registration are not explicit, with Housing Associations, in practice, being defined as those capable of housing development and significant growth (Housing Registrar 2007a,b,c).

The intervention powers of the registrar are extensive and include appointing Directors to the Board, requiring wind up or merger and directing the transfer of assets. These powers, which are yet to be tested, rely on displacement provisions under the Corporations Act[19].

Victoria has implemented the regulatory system progressively since 2005. The Registrar is appointed by the Governor in Council, reports directly to the Minister and has a high degree of autonomy. Administratively, the registrar function is located within the state housing authority. Staff with specialist social housing, business and financial expertise have been recruited, including the Director who has extensive experience in the regulation of UK housing associations. The initial focus was registration of growth providers, although this has widened to require all community housing agencies seeking future funding to be registered by the end 2008. At December 2008, eight housing associations (growth providers) and twenty-two housing providers had achieved registration.

[19] Section 5G of the Corporations Law provides that if a State law declares a provision of a state law to be a Corporations legislation displacement provision and there is any inconsistency with Corporations legislation, then the relevant Corporations legislation provisions do not operate to the extent required to avoid the inconsistency (Housing Act 1983, p79).

3.3 South Australia

3.3.1 Affordable housing policy and funding

The current affordable housing policy framework for South Australia stems from the 2005 Housing Plan for South Australia (Government of SA 2005). A key theme of that plan was to encourage a broader range of approaches to funding and delivering affordable housing. The centrepiece of the plan for affordable housing, and a first for an Australian jurisdiction, was the setting of a target of 15 per cent affordable housing to be achieved in all major new developments, five per cent of which would be for households described as high need. Implementation of this target occurred through amendment of planning laws in 2007 (details are in section 3.3.2 below).

To contribute to the achievement of the target, the SA Government also established an Affordable Housing Innovations Fund (AHIF SA). The concept for this fund is broadly similar to those for other jurisdictions described here – specifically, to stimulate a supply of additional rental housing using a substantial equity injection by the state. The value of the fund was announced as comprising $15 million new funds and $93 million to be raised from the proceeds of planned sales of public housing[20]. Of this, $43 million had been committed by the end of 2008 to a program of procurement by various not-for-profit organisations. Under a submission based model, this has leveraged around 50 per cent additional equity from non-government sources, resulting in a commitment to around 450 additional dwellings in 13 projects (interview AHIU staff 28.08.2008). Non-traditional housing agencies in SA have been the major recipients, as they have the most equity (such as land or financial reserves) to invest. In contrast to most other jurisdictions, existing community housing sector organisations have not been able to compete for funding because their capacity is constrained by the operation of past program and contractual arrangements[21].

The approach to funding affordable rental housing projects in South Australia to date bears a strong resemblance to the Social Housing Innovations Project joint venture program in Victoria that ran from 2000 – 2003 (see Milligan et al. 2004). In particular, a variety of organisations are embarking on discrete projects leveraging in the capital funding available from the SA Government. This has potential to fragment the development of the affordable housing sector through promoting diverse partners, rather than building core capacity. By contrast in Victoria, NSW, Tasmania and WA, other not-for-profit agencies (or ethical investors) with equity to invest are being encouraged to partner with registered growth providers.

There has been significant operational policy development to support the implementation of the affordable housing vision in South Australia in the last couple of years, steered by a new specialised agency, the South Australian Affordable Housing Trust (SAAHT). The SAAHT was established through legislative amendment in 2006 to drive innovation in affordable housing and, through its administrative arm, the Affordable Housing Innovations Unit (AHIU), to develop expertise within government.

---

[20] Traditionally SA has had a significantly higher proportion of public housing than other large Australian jurisdictions. Part of the rationale for the policy changes in 2005 was to sell 8,000 units of public housing with most of the proceeds to be applied to government debt reduction. The debt reduction strategy for the South Australian Housing Trust (SAHT) will result in the percentage of social housing stock relative to all dwellings in SA declining from 6.9 per cent in 2007 to approximately 4 per cent in 2036 (SAHT, personal communication).

[21] All mainstream community housing properties are debentured to the state government and registered organisations (see 3.3.3) are required to return all surpluses to the government after a management and maintenance fee per property is retained. Hence these organisations have no revenue or security for borrowing.

Other related developments in SA include:

- → New lending products for both home buyers and not-for-profit housing providers developed by SA Government's home lending agency, HomeStart Finance. The contributions of HomeStart Finance build on their well established role in assisting lower income home buyers to invest in housing at a lower cost than commercial providers in that state;
- → Developing a web based information tool, Property Locator[22] that catalogues all low cost properties exclusively for sale to eligible buyers across South Australia at any point in time. The mechanism uses the capacity of the web to help promote access and to enable the exercise of choice by customers of affordable housing options and finance products. It is expected that it will be expanded to include rental products in future;
- → Development of the General Affordability Indicator (GAI), which quantifies the price points that will satisfy the SA Government's requirements for affordable housing. These price points are gazetted and updated annually to reflect movements in household incomes and thus capacity to afford housing[23]; and
- → Planning for a range of new affordable rental housing products that are designed to meet a diversity of needs and to offer a continuum of lower cost housing options (see Phillips et al. 2009, table 17).

South Australia's affordable housing strategy is well conceived to deliver a variety of innovative affordable housing products utilising a well coordinated mix of planning and housing policy tools. Overall, the extent of policy development and product innovation, mostly for home buyers, in South Australia since 2005 compares favourably with other jurisdictions. However, at the time of our field research, SA had not tackled requirements for an efficiently structured, specialised and appropriately regulated not-for-profit delivery system with the capacity to invest in the new supply that could be generated through the affordable housing market that is being created. However, as the postscript below outlines, that situation is now changing. As in most other states, the level of investment available for affordable housing supply has also been very small, especially when measured against the substantial sell down of public housing that is occurring in that state.

Postscript SA

As this report was being finalised, Housing SA released a new policy on 'preferred providers', together with another $25 million from the AHIF SA for rental supply linked to NRAS. The new policy is directed at channeling growth funds and building capacity in not-for-profit organisations that can demonstrate their potential against five principles related to governance, financial and risk management, strategic asset management, quality services and development and project management capability. Two classes of preferred providers – 'affordable housing provider' and 'high needs housing provider' – will be recognised. The distinction between the two classes is designed mainly to acknowledge that different levels of government investment will be required, depending on whether providers cater for clients that are mainly moderate income/ low need or lower income/ higher need (Government of SA, no date). However, this may reduce flexibility of providers to offer a continuum of options.

---

[22] www.propertylocator.sa.gov.au

[23] Regulation 4 of the South Australian Housing Trust (General) Regulations 1995 - Determination of criteria for the purposes of the concept of affordable housing http://www.governmentgazette.sa.gov.au/2007/september/2007_067.pdf

3.3.2 Planning policy

As indicated above, South Australia has been pursuing a comprehensive approach to planning for affordable housing inclusion since 2005. The supporting legislative framework to achieve the affordable housing target of 15 per cent through the planning process was secured with amendments to South Australia's Development Act 1993 in 2007 to 'promote or support initiatives to improve housing choice and access to affordable housing within the community' (s3(ea)) and to enable local development plans to provide for the procurement of affordable housing within the community (s23(3)(a)).

Development proposals incorporating affordable housing are referred to the Minister for Housing for certification. The resulting affordable housing properties may be sold (through the South Australian Property Locator) or leased to eligible households or to a registered housing agency. Developers can choose if they want their development to be assessed under the affordable housing code, in which case, proposals will be sent to the Affordable Housing Innovation Unit for review and negotiation during certification of the proposal.

To date, the majority of affordable housing units achieved in South Australia since the declaration of the 15 per cent inclusion target have been on government land, sold by tender and secured through a land management agreement, rather than through the Development Plan amendment process outlined above (the sole exception was related to the redevelopment of the Cheltenham Racecourse in inner Adelaide). The ability to secure affordable housing during the sale of government land is supported by a state government circular that requires state agencies to 'take into account the need for any new development to conform with the Housing Plan for South Australia, in particular, any applicable quota for affordable housing included in that plan' (Government of South Australia 2006b, paragraph 57). When government land is sold, potential purchasers must submit an outline of their development proposal, demonstrating how they intend to meet the affordability targets. The South Australian Affordable Housing Trust then certifies the proposal and an affordable housing Land Management Agreement is made to protect the affordable housing commitment.

Most of the affordable housing delivered on these government sites has been for lower cost home ownership, in the absence of significant capital funding to purchase new housing for social housing. Interviewees for this project noted that in securing the 15 per cent affordable housing inclusion, land prices received by the Land Management Corporation were not affected appreciably. This suggests that a more ambitious target for affordable housing inclusion might be possible on government sites in the future. Overall, about 2,100 units are projected to be achieved through current and forecast projects (as of August 2008), with about 700 of those secured under land management agreements. These will have statutory covenants on their title when sold, to preserve affordability.

In 2008, a planning guide was released to demonstrate how local development plans could incorporate affordable housing policy, and model policy modules for affordable housing, particularly within residential zones, were released through the State Planning Policy Library (Planning SA 2008a, 2008b). The policy library contains policy modules consistent with the State Planning Strategy, which can be adopted by councils when amending their local development plans. It is intended that the 15 per cent target will be implemented through mandatory zoning provisions only when there is a major rezoning for residential or higher residential purposes (Planning SA 2008b). The code specifies planning concessions relating to density, open space and car parking to support the achievement of the affordable housing target. The affordable housing must be distributed throughout the area to avoid a concentration of any particular housing type.

As most new affordable housing units have been built on government land, some interviewees suggest that the State Housing Plan's goal of achieving 15 per cent affordable housing in new development has had mixed success. The process of securing an inclusionary requirement through individual plan amendments as privately owned land is rezoned has only been completed in relation to the Cheltenham Racecourse site, with one other rezoning site on private land in the pipeline. However, following a major planning review, metropolitan planning is likely to focus on transit oriented development (TOD) nodes, giving the state government call in power on development to achieve these TODs. This would provide the opportunity to achieve the 15 per cent target more consistently through up-zoning for higher density near transit, or through major mixed development projects.

Interviewees advised that industry appears to have accepted the 'inclusionary zoning' model used in South Australia. Part of this acceptance rests on the capacity to extend their potential market to a broader group of buyers – ultimately 'selling more product'. Further, the introduction of NRAS (see below) has reportedly made the concept of inclusionary zoning, particularly in relation to private land, seem more palatable to developers in South Australia.

A number of local governments have embraced affordable housing and formed a new Local Government Working Group on Affordable Housing, initiated by the Local Government Association. About 12 councils are involved so far, and they are stimulating each other to undertake initiatives, including the incorporation of the Affordable Housing Policy within development plans. The city of Salisbury is even strategically acquiring sites that can be sold with profit applied to affordable housing. Adelaide City Council has actively sought affordable housing inclusion in the use and sale of its own land, in an approach that predates the state inclusionary target of 15 per cent affordable housing in new development (see Gurran et al. 2008 for a description of projects). The key objective has been to support economic development in the city by assisting key workers and students to access affordable housing. However, success has been mixed and there is reportedly some ambivalence towards further affordable housing initiatives within the current council.

3.3.3 Regulation

The South Australian Co-operative and Community Housing Act 1991 provides for the incorporation of housing cooperatives and the registration and regulation of housing cooperatives and housing associations. Management of registration and regulation under this Act was the responsibility of the South Australian Community Housing Authority (SACHA) from 1991 to 2008. Following the state government decision in 2008 to wind up SACHA and transfer its responsibilities to the Department of Families and Communities, the regulatory role has been assumed by the Office of Community Housing.

The SA legislation is highly prescriptive and has a strong focus on and detailed provisions regarding financial arrangements, protection of government interest in properties, interventions and sanctions. These provisions reflect the particular funding arrangements for community housing that operate in South Australia.

The SA legislation is not designed to suit contemporary approaches to not-for-profit affordable housing provision and requires considerable changes to improve its relevance and align SA regulation with the national regulatory framework. SA has indicated an intention to review its legislation in light of the national framework to ensure that it supports regulation of not-for-profit providers seeking involvement in affordable housing provision (ARTD 2007). In the meantime, projects developed under the new affordable housing innovations fund, discussed above, are subject to individual contracts between the agency and the SA Government, as many of the funded agencies do not come under the SACHA Act, which regulates community housing associations and cooperatives only. The preferred providers discussed above will be encouraged to register under the existing legislation and will be subject to a mix of contract and statutory regulation.

3.4 Queensland

3.4.1 Affordable housing policy and funding

Housing policy development in Queensland after 2004 has been centred on reforming that state's multi-provider social housing service delivery system, covering the Department of Housing, Indigenous and non-Indigenous community housing organisations, and the Brisbane Housing Company, Queensland's sole not-for-profit affordable housing developer in 2004. Known as 'one social housing system', the reform direction aims to ensure that service capacity is allocated consistently and equitably to those most in need, using government control of eligibility and allocation policies and by introducing a common access system for clients (Phillips et al. 2009). In keeping with this approach, Queensland stood out after the introduction of NRAS in 2008 (see 3.9) by taking a policy position that all dwellings funded with NRAS incentives in that state would be offered to applicants on the social housing waiting list, which comprises a smaller, more income constrained target group than allowed for in the national guidelines for this program.

In 2007, the Queensland Government's Housing Affordability Strategy (2007) was released. The focus of this strategy is on addressing housing affordability issues through a more responsive planning system. However, it also provides a platform for the supply of more affordable housing in key locations in future, as discussed in the next section.

Since 2004, Queensland has allocated nearly $150 million in capital grants for construction of not-for-profit affordable housing. The majority of the grant money ($114 million) went to the Brisbane Housing Company. The remainder was allocated, in response to ad hoc proposals offering contributions of land or 20 per cent matching funds, to newly formed housing companies on the Gold Coast ($12 million) and Whitsundays ($3 million), an existing church based community housing provider ($12 million) and a philanthropic youth organisation ($7 million). The Gold Coast Housing Company resulted from a local initiative and is the second affordable housing development company in Queensland to attract state and local government funding support (see chapter 4). It is anticipated that the Gold Coast City Council will also support the new housing company through opportunities created through the planning system.

Other local initiatives by community housing organisations to establish affordable housing companies and build relationships with local authorities and private developers are occurring in Brisbane and regional centres, such as the Sunshine Coast, Townsville, Cairns and Mackay. The primary sector development policy focus in Queensland to date has been on consolidation within the community housing sector through mergers and strengthened governance of existing providers. Apart from the capital grants detailed above, growth has been confined to increasing management of government or privately owned housing.

While these local initiatives are helping to broaden the geographic coverage of not-for-profit housing developers in Queensland, a wide ranging policy and funding framework to enable growth in forms of affordable housing has not been adopted, unlike in several other jurisdictions discussed in this section.

3.4.2 Planning policy

A major initiative under Queensland's Housing Affordability Strategy is the establishment of the Urban Land Development Authority (ULDA), which has an explicit affordable housing agenda as part of its strategic role in land acquisition, development, and release[24]. Currently the ULDA is focusing on large residential development sites in high growth areas (the areas of Wolloongabba, Bowen Hills, Northshore Hamilton, Fitzgibbon and Mackay have been identified). Dedicated affordable housing is to be included within these designated areas, and local plans ('development schemes') may now require affordable housing as a condition of planning approval within these specific areas.

The ULDA's own Affordable Housing Strategy (November 2008) establishes a minimum target of 15 per cent of dwellings developed across designated urban development areas to be affordable for low and moderate income households (ULDA 2008). This housing is to be mixed throughout the area and is subject to quality design criteria. Two planning approaches will be used to achieve the 15 per cent target: provisions within development schemes for mandatory affordable housing inclusion (a percentage of dwellings to meet defined affordability criteria); and an additional affordable housing development contribution (either monetary or as housing units) required if developers utilise increased density permitted within a new Development Scheme. This value uplift mechanism will be operationalised by a requirement expressed in the Development Scheme that, 'where an increased development yield arises from the Scheme, a percentage of the uplift of land value must be shared with the ULDA as a development contribution' (ULDA 2008, p11). Additionally, the ULDA will reinvest surplus funds generated from its own development activities to meet the 15 per cent affordable housing target (ULDA 2008).

Mandatory affordable housing requirements (called 'housing diversity requirements') will be set for each ULDA taking into account the percentage of government land incorporated within the area, existing levels of housing need and existing dwelling prices. It is recognised that an additional subsidy may be needed to achieve the target affordability criteria and provision is made for development agreements to protect this subsidy. There are also provisions for money in lieu where a developer is not able to provide products within their projects to meet the affordable housing criteria (ULDA 2008). Development agreements or 'stand-alone affordable housing' agreements will be required when a subsidy is required to achieve the mandatory affordable housing inclusion target; when this target is to be converted to an 'in lieu' payment, and when a developer is utilising the potential for increased development yield (ULDA 2008, p11). The ULDA also intends to facilitate not-for-profit housing and social housing by supporting providers with design, development requirements and approval processes.

Beyond the specific remit of the ULDA, a State Planning Policy for Housing and Residential Development was released in January 2007. The policy introduces a process for undertaking local housing needs assessments and responses, emphasising strategies for housing diversity and to lower the land and building costs of housing within high growth areas. Under the State Planning Policy, 'graduated standards' establish different requirements for different allotment sizes, private open space, and car parking in response to different housing forms, thus reducing building

[24] The role of the ULDA described here will be similar to that being pursued to different extents by established state land development agencies in most other mainland jurisdictions. It is worth noting that Queensland did not have such an agency previously.

costs for more modest dwellings. These initiatives may result in some cost savings for affordable housing developers. The Policy is supported by the Affordable Housing Design Guidelines (QLD DOH 2004), which establish approaches to planning, designing and assessing proposals for affordable housing. The Queensland Department of Housing is also developing a standard ‘Affordable Housing Statutory Covenant’ to provide certainty for agreements reached on affordable housing developments (QLD DOH 2009).

3.4.3 Regulation

Queensland introduced regulation of the not-for-profit housing sector when the Housing Act 2003 replaced the State Housing Act 1945. The Queensland legislation provides for the registration of all funded housing providers and the making of regulations. The legislation does not explicitly provide for tiered categories of registration but the regulations define and recognise ‘affordable housing providers’. The legislation imposes additional requirements on providers seeking to use funded properties as security for loans, including being a not-for-profit company, wind up clauses for the transfer of assets to a like company approved by the chief executive and maintaining accreditation.

The legislation includes more limited intervention powers than in Victoria and the ACT but these are stronger than for NSW. Interventions include appointment of an interim manager for funded housing to protect the interests of tenants and the state. The regulations set minimum requirements in the areas of financial management and accountability; governance; service delivery; tenancy matters; and property matters. In 2007 the regulations were amended to require registered providers to align eligibility, allocations and other policies with public housing approaches under the policy umbrella referred to as ‘one social housing system’.

Queensland indicated, in negotiations on the national regulatory framework, an intention to amend the Housing Regulations 2003 to include a range of provisions relating specifically to growth providers, in order to align with the national framework (ARTD 2007). However, proposed changes to the existing regulatory regime are on hold, pending the outcomes of negotiations on more recent proposals for national regulation (personal communication).

3.5 Western Australia

3.5.1 Affordable housing policy and funding

Western Australia’s directions in affordable housing policy to date have built on those in train in 2004 (see Milligan et al. 2004). In particular, established community housing providers continue to be encouraged to develop social and affordable housing in a partnership with the Department of Housing and Works (now Department of Housing), which provides land and capital on a project by project basis. In 2007, the then Premier announced a boost to funding for housing, which included $210 million over four years from 1 July 2007, to be allocated to appropriately regulated (see 3.5.3) not-for-profit housing organisations for procuring additional supply, using mixed private and public financing models. The initiative is known as the State Community Housing Investment Program (SCHIP) and is modelled on the existing Joint Venture Housing Program. However, it is targeted to a smaller number of organisations, which will help to promote their scale and will improve their capacity to have an in house development function. Currently, four organisations in WA are eligible for funding under SCHIP, but only one, Foundation Housing, has established a sizeable development program (Gregory, pers. comm. January 2009)[25]. Opportunities now available under Commonwealth initiatives may trigger the engagement of more players.

Late in 2008, the new WA Government announced the appointment of a Social Housing Taskforce to advise the Government on new strategies to expand the supply of social housing, including by increasing the participation of not-for-profit organisations, inter alia. The Taskforce is due to report in June 2009[26]. The WA Government's response will give the first view of what approach a conservative state government will take to utilising not-for-profit affordable housing developers in Australia.

3.5.2 Planning policy

A draft Housing Policy for Western Australia was prepared in 2006. Amongst the measures contemplated was the broad development of local and regional housing strategies (HURIWA 2008). However, as the policy has not been enacted, local housing initiatives have remained ad hoc in Western Australia. Some local councils have prepared their own housing strategies or commissioned studies (including the city of Wanneroo and the Town of Vincent), but there is limited higher level support for such initiatives. The East Perth Redevelopment Authority has an affordable housing program that requires the provision by developers of affordable housing dwellings, which are then sold to the Department of Housing at construction cost. Eligible buyers may purchase a proportion of equity from the Department at a market rate (EPRA 2009). The program is supported by its Residential Development policy, which outlines goals for affordable housing inclusion of between 10-15 per cent of projects within the EPRA area (EPRA nd).

In 2007 the Western Australian government announced new initiatives intended to improve housing affordability in the private market, which include planning and land development measures designed to streamline residential subdivision approvals to improve the flow of land (Government of Western Australia 2007).

3.5.3 Regulation

Western Australia established an administrative registration system for community housing during 2007, which is closely aligned to the national regulatory framework. An initial call for expressions of interest under the registration system resulted in four organisations being registered as growth providers. These include two existing community housing providers (one with development experience) and two new housing specific companies established by churches with aged care and retirement village experience. Implementation has involved significantly boosting capacity within the department in terms of staffing numbers and enhanced financial, audit and policy expertise.

In November 2008 a discussion paper was circulated seeking feedback on a proposed legislative framework. The proposal is for a registrar located within the housing authority and a registration system with three classes of registration based on the number of properties owned or managed and the complexity of the organisation's housing business. Growth organisations will be subject to regulations consistent with the national regulatory code, with requirements for other classes of housing providers less onerous but informed by the national community housing standards and the

---

[25] Foundation Housing was formed by amalgamation of 3 housing associations operating in Perth in 2006. One constituent organisation, City Housing, was an existing affordable housing developer, included in the 2004 study.

[26] See http://www.housing.wa.gov.au/585_2146.asp for more information.

national regulatory framework. A staged approach to implementation over two years is proposed (Department of Housing and Works 2008).

3.6 Tasmania

3.6.1 Affordable housing policy and funding

In 2004 Tasmania announced a major four-year cross tenure housing initiative, the Affordable Housing Strategy. This involved $45 million of additional state funds, of which two-thirds were proposed to be directed to new supply, through non-government delivery vehicles. At the time, the strategy positioned Tasmania as a leader in affordable housing investment across Australian states (Milligan et al. 2004).

Following that announcement, however, there were considerable difficulties and delays in implementing the initiative (Flanagan 2008), resulting in an distinctive delivery model being adopted in Tasmania. At the core of the operation of the model is a new not-for-profit housing company, Tasmanian Affordable Housing Ltd (TAHL) founded in 2006 as a public company limited by shares. The corporate structure of this company is modelled on that used for the Brisbane Housing Company (see Milligan et al 2004). The TAHL model is described in more detail in Box 2 (chapter 4).

In 2008, the then Tasmanian Premier announced a Housing Innovations Fund of $60 million for social housing and homelessness. About two-thirds of the fund will be available for affordable housing supply and social housing renewal tasks. A new Housing Innovations Unit was established to manage the fund and associated initiatives, which reports directly to the Secretary of the Department of Human Services. This reporting line was intended to achieve greater independence from the public housing agency, Housing Tasmania, which is also a division of that department and previously was responsible for the implementation of the affordable housing strategy (White, pers. comm. October 2008).

The timing of this additional investment has helped Tasmania to attract national funding. Recently, two not-for-profit agencies were chosen by the state government as preferred community based managers of housing provided by housing investors who have been allocated NRAS incentives. In a pointer to the changing character of the affordable housing delivery system, these are interstate agencies (Community Housing Ltd and Mission Australia) that are intending to set up a local housing service in Tasmania. Their presence will help to overcome an historic lack of sizeable community housing organisations in Tasmania (Flanagan 2008) and may provide a more diversified platform for development by not-for-profit providers in the future in that state[27].

Although development of Tasmania's affordable housing strategy since 2004 has been slower and more fragmented than anticipated and has not delivered the expected boost to the not-for-profit sector, active policy development and capacity building that has been triggered can be expected to be bear fruit in that state, as national developments come into effect.

3.6.2 Planning policy

As with many of the other jurisdictions, the planning system in Tasmania is under review. The review emphasises procedural improvements to reduce development approval times and to standardise and streamline planning schemes. Three regional land use planning strategies are being developed for the North West, North East and South over the next three years, and while these strategies may ultimately address

[27] Community Housing Ltd was also successful in securing NRAS incentives to build old and operate 100 dwellings in Tasmania in the first round of NRAS funding announced in December 2008.

housing diversity and affordability, currently state planners lack regional data on housing needs, affordability and supply and resources to obtain such data are extremely limited.

A 'key elements template' is being developed to assist councils with revising their local planning schemes and some resources have been provided for the initial regional strategy in the North West. While residential 'key elements' will be developed, details on the content of these elements were not available at the time of writing. Interviewees noted that Tasmania lacks any state level planning policy relating to housing, and this may have represented a barrier to actively incorporating affordable housing considerations in plan making and development assessment at the local level in Tasmania[28]. Once again, these reforms, if introduced, will have only indirect significance for affordable housing developers.

3.6.3 Regulation

Tasmania relies on contracts as the main regulatory tool and, due to the small scale of the affordable and community housing sector, does not intend to introduce legislation unless the sector grows significantly. In the short term, Tasmania will retain an administratively based approach to regulation, including introduction of registration to align with the national framework. Consideration is also being given to opportunities to partner with another jurisdiction with a developed regulatory regime (ARTD 2007).

3.7 Northern Territory

3.7.1 Affordable housing policy and funding

The Northern Territory does not have an affordable housing sector, outside its mainstream social housing service. The housing agency, NT Housing currently is developing a new housing strategy and it is expected that an overarching affordable housing framework will be an outcome of that strategy development. Anticipated elements of the affordable housing framework include:

- Additional home ownership products;
- Developing capacity to deliver affordable housing outside of government;
- Legislative and policy changes to require affordable housing within all new major development sites, working to a target of 15 per cent; and
- Changes to public housing assets and policies to incorporate 'Closing the Gap' initiatives for Indigenous people and communities (Collins, pers. comm. August 2008).

Existing agencies involved in housing have included both Indigenous community organisations and generalist not-for-profit agencies, St Vincent de Paul, The Salvation Army, Somerville Community Services and Mission Australia, which mostly provide crisis accommodation. As well, Community Housing Limited (see chapter 4) has operations in the Northern Territory, specifically to upgrade Indigenous housing, but has expressed interest in having a wider development and management role (Bevington, pers. comm. April 2008). Under the Australian Government's emergency intervention in remote Indigenous communities in the Northern Territory, begun in 2007, management of government funded housing stock, previously with Indigenous community organisations, is being transferred to Housing NT. However, three Indigenous housing companies with substantial land assets remain as independent providers. One, the Tangentyere Council in Alice Springs, is considering setting up an

[28] While the planning legislation offers the facility for state policies only three have been enacted over 15 years.

affordable housing company, which is likely to be specifically for Indigenous clients. These organisations are also well placed to participate in the NRAS program, utilising their land assets[29].

Local informants for this study indicated that funding available for community housing in the Northern Territory had been insufficient to date to make a local not-for-profit affordable housing company viable. However, this situation is likely to change in response to emerging local policy developments, new Commonwealth initiatives, and the national housing reform directions that have been agreed on by all jurisdictions (see section 3.9), as these opportunities will generate greater potential for local or interstate providers to establish an affordable housing business. In a prelude to the release of the housing strategy, the Chief Minister indicated in March 2009 that an affordable housing company would be established in the NT and that management of government funded housing would be diversified (ABC News, 2009).

It is expected that a regulatory framework to support affordable housing provision will be considered in the context of the housing strategy, informed by the new national regulatory framework and the emergence of new delivery options.

3.7.2 Planning policy

The intent to secure 15 per cent affordable housing within all new development was announced in 2008 by the Minister for Land and Housing. This goal is now being pursued through the sale of government land by tender, although there has been no legislative amendment as yet. Implementing the affordable housing objective has been relatively straightforward as the majority of land in the NT is released by government by tender to developers who must undertake subdivision requirements as specified by government.

The target will be met through: a) a sell-back of serviced sites to NT Housing; b) sale of completed housing to NT Housing for public or social rental; or c) sale as affordable home ownership. The intention is to 'salt and pepper' the affordable component throughout development sites, rather than to concentrate the housing. The first new release area to include the 15 per cent target is known as Bellamack, which includes around 700 dwellings on a Greenfield site, including some attached and higher density housing. The NT Government has been able to gain the Defence Authority's cooperation in achieving the 15 per cent target in relation to its own housing developments, which are substantial, and two agreements relating to release areas of 800 to 1000 dwellings have been secured to date.

3.8 Australian Capital Territory

3.8.1 Affordable housing policy and funding

Following earlier piecemeal responses to affordable housing issues, the ACT Government released a wide ranging strategy to tackle housing affordability, the ACT Affordable Housing Action Plan, in 2007 (ACT Government 2007). The strategy reflected a fundamental rethink of the government's role in promoting affordable housing, in the context of a high cost urban housing market with a near monopoly government landowner (the Land Development Agency (LDA)). It included an innovative range of demand and supply side interventions and regulatory mechanisms, with an emphasis on supply. 'Ownership' of the strategy and responsibility for its implementation was centralised in government with a high level

[29] The Northern Territory was the only jurisdiction not to receive any NRAS allocations under the first round of the program concluded in 2008.

implementation group established in the Chief Minister's Department. Overall, the most significant components of the plan on the supply side are:

- → Increasing land supply;
- → Increasing land supplied at more affordable price points;
- → Making the planning and land supply system more responsive; and
- → Strengthening a not-for-profit housing provider, to enable it to deliver more affordable housing.

The first three of these areas for action are discussed in more detail in 3.8.2. Turning specifically to the arrangements for a not-for-profit provider, the ACT Government has agreed to extend the influence of Community Housing Canberra (CHC), now trading as CHC Affordable Housing, in the Canberra housing market. The main support offered to CHC under the plan comprised:

- → Transfer of title of 135 former public housing dwellings being managed by the company to provide a land and asset base to CHC (asset value $40 million). The company is expected to redevelop 75 per cent of the transferred assets within five years and 100 per cent within seven years. The transferred dwellings are typically single family homes on large blocks in well located areas. Redevelopment will allow for dual and triple occupancy;
- → Provision to CHC of a rolling development finance facility of $50 million at government borrowing rates for 30 years. The agreement also includes provision for deferral of interest payments for one year; and
- → Provision for CHC (and, potentially, other not-for-profit providers that enter the local market) to make direct purchase (i.e. not through market auction) at market valuation of LDA land on deferred payment terms (ACT Government 2007).

The overall target number of affordable dwellings to be supplied by CHC utilising these mechanisms is 1,100 new dwellings over ten years. Initial modelling showed that 470 dwellings could be retained for long term rental, with the remainder sold into the affordable segment of the market (Horsham, pers. comm. 2007, 2008).

The business orientation conceived by CHC is to undertake commercial development of moderate income housing with development margins reinvested in affordable rental housing. To achieve its social policy objectives, rent is set, typically, at 75 per cent of market rent. Allocations are made to a mix of very low, low and moderate income households, subject to viability for the Company[30]. The Company's business model is based on two successful demonstration projects initiated by CHC, without direct government investment, in the suburbs of O'Connor and Gungahlin (see Milligan et al. 2004, Milligan and Phibbs 2005). The new loan facility and assured access to sites are enabling this model to be scaled up, as recommended in those reports. However, unlike in most other state jurisdictions, no direct ACT government capital subsidy is involved. Now, with additional national funding incentives becoming available, the supply capacity of CHC is likely to increase significantly above present target numbers.

[30] Very low income: < 50 per cent median household income (MHI); low income 50 per cent to 80 per cent MHI; moderate 80–120 per cent MHI. The Company receives a small recurrent subsidy payment ($3 million p.a.) from the ACT government to retain the existing level of very low and low income tenants at rents affordable to them. This arrangement is time limited at present and the capacity of the Company to house very low income households in future is uncertain (Horsham pers. comm., 2008).

Recent developments in affordable housing policy in this jurisdiction provide a good example of where demonstration followed by a negotiated partnership between regional government and a not-for-profit housing provider has resulted in an innovative model for affordable housing provision, and one which is likely to be a magnet for further investment.

3.8.2 Planning policy

Amongst the broader initiatives under the ACT Affordable Housing Action Plan are several strategies for new land supply and improvements to the planning system. Based on monitoring of supply and price movements, land supply targets were increased more than four fold from 500 to 600 lots a year in 2005/06 to 2,800 in 2007/08, later supplemented by an additional target of 1,000 (ACT Government 2007; ACT Treasury pers. comm. 2008). The new Planning and Development Act 2007 and amendments to the Territory Plan are enabling fast tracked approval for residential development in Greenfield sites. Additional changes to territorial planning legislation will reduce the need for approvals for simple developments by expanding the categories of ‘exempt’ development. A new code and Planning Guideline on Compact Block Housing for New Estates has been introduced to facilitate affordable house and land packages on sites under 250m^2 (ACT Government 2008). Penalty fees applying when land is not developed within set timeframes have been increased for residential development, to reduce the potential for land banking and speculation.

While not predicated on specific land use planning mechanisms, the ACT Land Development Authority (LDA) demonstrates the significant role government land developers are beginning to adopt in relation to affordable housing development. The Affordable Housing Action Plan includes a target to ensure that 15 per cent of blocks sold in Greenfield areas by the LDA are affordable house and land packages for sale to eligible buyers, who include qualified home buyers and not-for-profit developers. Lease and development conditions for new estates incorporate this requirement. The key means of achieving the lower price will be through small block provision (<300m^2). In 2007/08, the target price set for house and land packages on these blocks was \$200,000 and \$300,000 (land price of between \$60,000 and \$120,000). To put this in perspective, the typical block price at the time the plan was released was around \$180,000.

The ACT Government has also introduced a small but innovative land rent scheme whereby eligible low and moderate income households may rent land released by the LDA, while purchasing their dwelling, therefore reducing the entrance costs of home ownership. The initial target is 120 single dwelling residential blocks per annum. This low start procurement option is also available to social and affordable housing providers (ACT Treasury pers. comm. 2008).

3.8.3 Regulation

Since it was founded in 1998, Community Housing Canberra, this Territory’s only affordable housing provider, has been regulated through both governance and contractual mechanisms. When the company was established, under its constitution, the ACT Government held the right to appoint three (of seven) directors to the Board and to nominate the chair and deputy chair from among those directors. The four non-government appointed directors were chosen by community housing provider members (Milligan et al. 2004). In 2007, as part of new arrangements made between the ACT Government and the company, agreement to a new governance model was reached. This replaces the previously part representative Board with a skills based Board of expert Directors. The ACT Government (acting in its capacity as the foundation member of the company) has retained the right to appoint three Directors for two years, after which this arrangement will be reviewed.

In 2008, the ACT Parliament enacted the Housing Assistance Amendment Act 2008 to regulate affordable and community housing providers with regulations and registration systems under the legislation to be implemented during 2009 (Gibson, pers. comm. December 2008).

The proposed system will have two classes of registered organisations: affordable housing providers and community housing providers. The legislation provides strong powers to the Housing Commissioner, including the right to appoint members to the Board, appoint an administrator and to wind up and distribute assets. As in Victorian, these provisions are enabled through displacement provisions under section 5G of the Corporations Act.

Establishing an open regulatory framework in the ACT can be seen as one way of giving opportunities to other providers (to CHC) to enter that market. However, in the transition to this new approach it appears that CHC will be subject to a cumbersome mixed model of regulation, involving governance, contractual and statutory elements

3.9 Emerging national directions and policy settings

3.9.1 Affordable housing policy

Until 2009, when the first NRAS funded dwellings will be occupied (see below), all growth in affordable housing supplied directly by not-for-profit housing providers in Australia was generated from various state and local government incentives and their own fund raising. As described above, this produced a situation where different financial models were operating at varying scales, depending largely on the levels of local investment and capacity.

The Australian Labor government's platform for the 2007 national election included a commitment to develop and implement a National Housing Strategy that would:

- "Expand the range and supply of secure, affordable and appropriate housing;
- Deliver more efficient and effective housing, land and infrastructure development;
- Improve opportunities for first home buyers to enter the market;
- Re-invigorate public housing and support the further development of the community housing sector;
- Better integrate housing and other services to strengthen communities and build neighbourhoods that are safe, healthy and close to employment opportunities;
- Expand the role of institutional investment in the provision of affordable housing; and
- Promote housing options that minimise adverse environmental impacts" (ALP 2007, chapter 6).

Implementation of a national housing strategy with such a reach requires the close collaboration of many agencies across all spheres of government in Australia where the responsibilities for housing functions are distributed.

After it came to power the new Australian Government announced a steady stream of housing program initiatives during 2008 (for details see Australian Government 2008a). In January 2009, following an intensive inter-governmental negotiating process under the auspices of the Council of Australian Governments (COAG), the new programs were loosely integrated into a national policy and administrative framework, to be known as the National Affordable Housing Agreement (NAHA)[31]. A core intent of the NAHA is to improve coordination across housing related programs. Both the NAHA and the National Partnership Agreement on the Nation Building and Jobs Plan, which provided Commonwealth funding of $6.4 billion over four years (2008/09 to 2011/12) to increase the supply of social rental housing by around 20,000 dwellings inter alia, signalled the intention of the Commonwealth and state governments to significantly reform the 'social housing sector'. Areas for reform have significant implications for the not-for-profit sector, which is expected to own and/or manage an increasing share of new housing provided (COAG 2009, Plibersek 2009b). However, it is not yet clear how much, if any, of the additional dwelling supply will be able to be procured directly by not-for-profit providers. As states have primary responsibility for implementing the package, there are likely to be different approaches to the procurement process across jurisdictions, reflecting both local policies and not-for-profit organisational capacity, as assessed by governments or by the agencies themselves.

Among the plethora of recent national housing initiatives, the one that is of most direct relevance to this report is the National Rental Affordability Scheme (NRAS), which is designed to encourage large scale for-profit and not-for-profit investment in affordable housing. This scheme is described in more detail below.

3.9.2 National Rental Affordability Scheme

NRAS is the first large scale financial incentive to be launched in Australia that offers tax incentives specifically for private investment in the supply of affordable rental housing[32]. NRAS aims to 'increase the supply of affordable rental dwellings; reduce rental costs for low and moderate income households; and encourage large scale investment in and innovative delivery of affordable housing' (Australian Government 2008b)[33]. The scheme is being introduced in two phases: an establishment phase (2008/09 – 2009/10) with a target number of allocations of 11,000 and expansion phase (2010/11 – 2011/12), which is scheduled to make up to 39,000 allocations. Legislation and regulations applying to the scheme were passed in November 2008 (Australian Government 2008d and 2008e). Current guidelines apply to the establishment phase and may be revised for the second phase (Australian Government 2008b).

Under the scheme, the Australian Government offers a refundable tax offset valued at $6,000 per dwelling (in 2008/09) indexed in accord with the rental component of the Consumer Price Index for each year for ten years, subject to annual compliance with the rules of the scheme. In the case of not-for-profit organisations that are registered charities with the Australian Tax Office (ATO), the Commonwealth contribution will be provided as an annual cash grant at the same value. Additionally, there will be a minimum financial contribution or in kind assistance of equivalent value (e.g. revenue foregone) from state and territory governments of $2,000 initially (in 2008/09) per dwelling for ten years. In total, incentives to the total nominal value of $2.7 billion (2008/09) dollars over ten years are on offer through a competitive bidding process.

[31] The NAHA replaced a long-standing intergovernmental agreement, the Commonwealth State Housing Agreement, which operated almost continuously from 1945 to 2008.

[32] Other tax incentives, such as depreciation allowances, capital gains tax concessions and provisions for negative gearing (of rental losses) that operate in Australia may stimulate private investment in rental housing, but they are not specifically geared to the provision of additional low-cost rental housing.

[33] Refurbishment of dwellings in limited circumstances is also allowed (see Australian Government 2008c).

The government has indicated that a further 50,000 incentives will be made available after the first four year period, if the scheme is successful (Parliament of Australia, 2008). When compared with funding levels for state based initiatives cited earlier in this chapter, these numbers indicate the remarkable extent to which NRAS offers the potential to up-scale growth in affordable rental housing supply in Australia.

The scheme requires that dwellings are allocated to eligible low and moderate income households at no more than 80 per cent of market rents. Market rent will be established through periodic independent valuation of similar properties in the market and indexed by no more than the rent component of the CPI annually. After ten years, dwellings can be sold or rented at market rents. Any growth of asset value (or capital losses) will accrue to the investor.

NRAS presently offers two growth paths for not-for-profit organisations. They can apply for grants under the scheme in their own right or they can participate in a consortia led by a private investor to operate as the property manager for dwellings procured using NRAS incentives. The former path will lead to direct growth in the balance sheet of the participating organisations; the latter will increase their revenue streams. Both the Australian government and state governments have indicated they will give preference to proponents who use regulated not-for-profit managers of NRAS properties, with a view to achieving good outcomes for tenants. Both kinds of proposals from not-for-profits were successful in the first round of NRAS allocations that were announced towards the end of this study. However, information on not-for-profit organisations acting as managers for other proponents of NRAS proposals is not available. Therefore, we can only report on the impact of NRAS so far where the not-for-profit agency is the applicant for NRAS.

There were 69 NRAS applicants in the first round, covering over 13,000 incentives (i.e. potential rental dwellings) in 243 projects located across all states and territories. Fifty-six per cent of applicants were not-for-profit agencies and 44 per cent were private proponents. (The share of incentives sought by the two types of proponents has not been indicated by the Australian Government). A total of 3,962 incentives were offered, comprising 2,800 immediate offers and 1,162 offers that were conditional on additional information being provided in early 2009 (Sue Ham, verbal advice, 'Update on NRAS' Workshop, Sydney October 28 2008). By June 2009, 3,715 incentives had been accepted and a further 84 were still on offer to a total of 36 different proponents, 21 of whom were not-for-profit organisations. More information on the types of successful applicants and their location is provided in tables 3 and 4 respectively.

Only very limited public information is available on the successful NRAS bidders in Round 1. For example, key information on funding sources outside of government, consortia members, financing models and project details (location, target groups) has not been provided. Data provided do show that many not-for-profits received extra funding from state governments (beyond the minimum required under the intergovernmental agreement on the program) to make their bids feasible, especially in NSW, SA, WA and Tasmania. Nevertheless, most bids by not-for-profits were small: 22 of 26 separate proposals by not-for-profits were for a maximum of 100 dwellings, typically much less (16 to 60). Only one not-for-profit provider, Community Housing Limited, made a set of large scale multiple location bids, comprising, in all, 507 dwellings, but nothing is known about how these will be financed. Another apparent trend is that states with lower cost markets have fared relatively well under competitive funding rules, especially Tasmania – this is not surprising given that NRAS offers the same subsidy rate across highly differentiated housing markets in Australia.

Table 3: Successful applicants for NRAS, Round 1, 2008

Type of applicant	*Number of organisations receiving offers*	Number of dwellings proposed[2]
For-profit	13	1569
Not-for-profit	21	2106
Other government[1]	2	124
Total	*36*	*3799*

[1] Comprises VicUrban (the Victorian Government land development agency) and one metropolitan council in Sydney.

[2] Two organisations had not accepted offers by June 2009.

Source: FaHCSIA data analysed by the authors

Table 4: Successful applicant by type and number of dwellings proposed by state, NRAS Round 1, 2008[1]

State	*For-profit*		*Not-for-profit & government*		*Total number of dwellings*	*% share of dwellings*
	Number of agencies	*Number of dwellings*	*Number of agencies[2]*	*Number of dwellings*		
NSW	5	376	10	698	1074	28.3
Victoria	0	0	4	596	596	15.7
Queensland	3	365	3	298	663	17.5
SA	0	0	6	422	422	11.1
WA	2	341	2	60	401	10.6
Tasmania	3	487	1	100	587	15.5
ACT	0	0	1	56	56	1.5
Totals	*13*	*1569*	*27*	*2230*	*3799*	*100%*

[1] Includes accepted offers and offers pending.

[2] Community Housing Limited put in successful bids to provide dwellings in four jurisdictions (NSW, Victoria, Tasmania and South Australia). Similarly, Mission Australia put in two successful bids, one each in NSW and Victoria. Thus, these agencies are counted multiple times in this column.

Source: FaHCSIA, data analysed by the authors

Lack of data makes it extremely difficult to assess the potential of NRAS to sustain growth in the not-for-profit sector. However, several policy and implementation issues that have arisen with NRAS so far could impact on the longer term effectiveness of this scheme for growth of the sector. One major issue has been whether charitable organisations that receive or use NRAS incentives to provide affordable housing across the spectrum of low and moderate incomes will put their charitable status at risk[34]. Following an adverse ruling by the ATO, this issue has been resolved for an interim period by the Australian Government offering a transitional safety net via specific amendments to charity and tax laws, but these arrangements will expire

[34] A key requirement for being awarded charitable status is for an agency's core function to be 'alleviation of poverty'. Agencies with charitable status receive financial advantages which add to their cost efficiencies, such as exemptions from paying taxes on income, goods and services, payroll and property taxes, employee benefits and the right to accept tax exempt donations.

shortly. Without having continuing eligibility for charitable status, many not-for-profits may not participate in the scheme in future as either developer/owners or managers, because their overall business strategy is underpinned by benefits they receive as charitable organisations.

Another key issue is the adequacy of the funding incentive. The NRAS incentive is not intended to fully fund procurement of new dwellings. At present, there is insufficient market information to determine how large the funding gap is but one preliminary estimate suggested that NRAS would finance $100,000 of debt or private equity against a property cost of between $250,000 to $350,000, depending on market and cyclical context (Gilmour and Milligan 2008). If treated as a capital grant, NRAS has been estimated to be worth about 20 per cent of the capital cost of a new dwelling (information provided by Victorian housing associations calculated by SGS Economics and Planning consultants). It is also not clear where additional sources of investment will be secured for the volume of dwellings planned. In the first round, several state governments committed significant amounts above the $2,000 per annum per dwelling minimum required by the Commonwealth in support of not-for-profit bidders, as discussed above. Generally, this was done by using existing state affordable housing innovations funds, which are mostly quite small, as indicated previously. Under the NAHA and the Nation Building and Jobs economic stimulus package, the opportunity exists for linking capital funding for social housing to NRAS to enable a wider variety and larger number of dwellings to be secured than would be the case if these supply side interventions operated discretely. As well, sale of government land at an 'affordable price'[35] and planning gain instruments that are widely used for this task overseas (see chapter 5) could play a greater part as the scheme matures. We will consider how these issues can be addressed in ways that will support growth of affordable housing not-for-profit developers in more detail in chapter 6.

3.9.3 Planning and land policy

National policy interest in the ways in which state and territorial planning systems can support affordable housing development has come to the forefront of policy debates over the past five years. This interest was supported by the former collaborative framework for National Action on Affordable Housing, agreed on by each of the Australian state and territory Housing, Planning and Local Government Ministers in August 2005 (HPLGM 2005), which set out key principles and components of planning systems needed to support affordable housing initiatives, and outlined a specific commitment to ensuring that state and territorial planning systems support affordable housing provision, including legislative amendment if necessary. To assist in this agenda, a national leading practice guide and toolkit to assist state, territorial, and local planning agencies develop and implement planning tools for affordable housing has been circulated. The NAHA will become the new instrument for promoting continued state and territorial planning reform for affordable housing.

At the same time, each of the states and territories has undergone or is undergoing broader planning reform processes, focusing on initiatives to reduce complexity in planning system requirements, which are thought to indirectly affect housing affordability. This work is now being supported by the Commonwealth through the Housing Affordability Fund (HAF), to some extent. The HAF will provide up to $512 million over five years, to projects designed to improve the supply of new housing and to lower the costs of building new homes (Australian Government 2008c). It will fund proposals that seek to reduce developer holding costs, by improving planning and

[35] This refers to a negotiated price for land sold to an affordable housing provider so as not to jeopardise the viability of an affordable housing project or its intended social outcomes.

approval processes, and/or proposals that seek to lower the costs of providing basic infrastructure like water, sewerage, transport or open space. Applications for funding closed in October 2008 and outcomes were still pending at the time of writing. It is unclear whether funded proposals will lead to systematic enhancement to local residential planning processes and infrastructure provision or whether benefits will be limited to individual projects. The HAF is intended also to achieve broader gains to development assessment processes in Australia, through funding to the states and territories for the implementation of electronic assessment systems.

Finally, a new Australian Government policy for the disposal of surplus government land may deliver new opportunities for affordable housing developers, while also boosting housing supply and affordability more broadly (Department of Finance and Regulation 2009). The policy enables special provisions for the release of surplus Commonwealth land identified by the Department of Families, Housing, Community Services and Indigenous Affairs as suitable for increasing housing supply, improved amenity and jobs. For instance, the land may be sold directly to a state or local government to optimise housing or community outcomes, or to a Commonwealth funded organisation. Concessional sales (below market value) are able to be made under the policy.

3.9.4 Regulation

National developments in the area of regulation shifted focus during the course of this study. On 5 February 2009 COAG agreed to a program of wide ranging reforms to social housing, including a national regulatory and registration system for not-for-profit housing providers, and these were confirmed by Housing Ministers on 27 March 2009 (COAG 2009; Plibersek 2009b). A national committee of senior officers is overseeing engagement of a consultancy to consult with stakeholders and make recommendations on a national regulatory system (personal communication April 2009)

The COAG decision to progress national regulation replaces a previous agreement of Housing Ministers on 14 March 2008 to a National Regulatory Framework for Affordable Housing. The goal of both agreements was to achieve national consistency in regulating not-for-profit affordable housing growth providers and to reduce compliance costs and other disincentives for housing providers and potential private sector development and financial partners who operate across jurisdictional boundaries. They also aimed to improve efficiency and avoid duplication of effort in administering state based regulatory systems (ARTD 2007; Housing NSW 2008).

Key features of the initial national approach include:

- → A multi-tiered registration system with a specific category of not-for-profit growth providers;
- → A national regulatory code;
- → Appointment of a registrar and maintenance of a register;
- → Minimum requirements that not-for-profit growth providers are incorporated as companies, are registered charities and have specific constitutional objects regarding the distribution of assets on wind up;
- → Mutual recognition and information sharing about risks and performance concerns; and
- → Cooperation across jurisdiction in support of national consistency and bilateral arrangements to avoid duplication.

All jurisdictions identified actions required to align their regulatory regimes with the national framework, agreed to participate in a national regulatory forum to oversee implementation of the national framework and to review it within five years (ARTD 2007). Details of the more recently agreed directions on national regulation are to be developed following receipt of the consultancy report.

3.10 Summary comparison of approaches

The 2004 report on affordable housing argued that three factors would be critical to deliver volume affordable housing supply through the not-for-profit sector in the short to medium term: a secure and ongoing capital investment program from government; a mechanism to raise and channel large volumes of private finance; and capacity building in the delivery system (Milligan et al. 2004). A subsequent report (Milligan 2005) emphasised the need to bring in positive planning policies for affordable housing and to utilise government land to contribute to the supply task.

The review above of affordable housing and planning policies, and of funding, regulatory and delivery systems since 2004 indicates that there has been significant continuing effort by all Australian state and territory governments to develop affordable housing initiatives along those lines, as summarised in tables 5 to 7. This effort reflects strong recognition across all jurisdictions of the need for more affordable housing options and the potential for not-for-profit organisations to leverage in significant additional resources for this task, under the models that have been demonstrated in the last decade or so. To this end, the affordable housing strategies of most governments have been centred on providing additional capital funds for new supply to leverage non-government financial contributions, although the scale of investment has varied and is not well aligned to the pattern of need. For instance, populous and high cost states like NSW and Queensland have made among the lowest investments (per capita and absolute) and South Australia has substituted investing in a more diversified affordable housing supply for social housing, which is being reduced significantly, leading to a net loss of affordable stock in that state for the foreseeable future. As well, the initial investment programs of most states are now largely expended or forward committed.

In terms of planning policy innovation, South Australia has led the way in strengthening and integrating their state wide housing and planning strategies for affordable housing, but that state has paid less attention to reforming its delivery system to achieve larger scale viable not-for-profit providers than NSW, WA, Victoria, ACT and Tasmania. The ACT Government has used its unique opportunity as a near-monopoly land wholesaler to increase affordable land supply and has established a strong partnership with a specialised not-for-profit provider. Victoria has been most successful in building a contestable delivery system with several proven affordable housing developers having built up in house capacity sufficient to sustain a regular supply program, as we discuss in more detail in the next chapter. Most states have dabbled in transferring some social housing assets to their larger community housing organisations to boost their balance sheets and revenue streams, but these transfers have not reached a magnitude that will assist even the largest of those organisations to grow significantly.

Several states are moving beyond an era of housing policies set in the 1990s, which required narrow targeting of housing places to high need households, to recognise the need for a wider range of affordable housing options that can cater to an expanding group of low and middle income households who are severely disadvantaged by affordability conditions in the open housing market (Yates and Milligan 2007). This shift in policy thinking has been reflected by state governments, to a greater or lesser extent, adopting broader eligibility rules for affordable housing providers, encouraging different rent models and introducing new products for rent and purchase. However, policies that apply to the new housing provided under the banner of 'affordable housing' are often not well defined; only NSW has issued a comprehensive set of affordable housing guidelines to providers (Housing NSW 2008).

There is very little evidence of financing innovation arising from state government initiatives, with most states relying on a combination of standard bank borrowings at market rates of interest; small not-for-profit partner surpluses and other gifted equity, typically from faith groups; and local government land. The potential for a significant continuing role for gifted equity is very small, given the low level of philanthropic investment in Australia. Local government land resources and provider surpluses are also finite. Overall, current approaches under state programs to drawing in private funding of various sorts are inefficient and also tend to distort and fragment where growth can occur. This is largely because there is no mechanism for pooling diverse funds and channeling them through larger scale, cost-effective providers. Only one government, the ACT, has been prepared to lend cost-effective publicly raised funds for the task. (Chapter 5 showcases how this strategy has been used elsewhere.)

Overall, by 2008 good foundations had been laid for a transition to a more diversified affordable housing sector in most jurisdictions in Australia, there had been a modest expansion in new supply since 2004 (see chapter 4) and a number of jurisdictions were poised to improve on the scope and integration of their affordable housing, planning and regulatory policies that apply to not-for-profit affordable housing providers. However, there was little evidence that those providers could achieve scalable growth in affordable housing supply, principally because of insufficient public investment to generate volume and to leverage private sector interest.

The entry of the Australian Government into this field through the policies and mechanisms described above provides the potential to enable the not-for-profit sector to operate at a scale not seen before in this country.

Table 5: Major housing policy and funding innovations to support supply of affordable housing through not-for-profit agencies, 2005–08

Jurisdiction	*Innovation*
ACT	Negotiated agreement with Community Housing Canberra (2007) to develop affordable housing for rent and purchase, underpinned by public loan facility, direct purchase of government sites and transfer of public housing sites suitable for redevelopment at higher density.
NSW	Affordable Housing Innovations Fund (2007) for regulated not-for-profit housing providers that can contribute private debt/equity for developments for a mixed income target group; competitively allocated. Community housing growth strategy (2007) includes provision for funds and redevelopment sites to be allocated to designated growth providers to enable procurement of new supply directly by them (previously a government function).
QLD	Funding for Gold Coast Community Housing Company (2008) for project developments for public housing applicants. Continued funding for Brisbane Housing Company for project developments for public housing applicants, 2005–08.
SA	Affordable Housing Innovations Fund (2007) for not-for-profit housing providers that can contribute private debt/equity for developments for a mixed income target group, competitively allocated.
TAS	Funding for Tasmanian Affordable Housing Limited to enable them to head lease newly built privately owned rental housing from 2007/08 for five years (with an option to renew) for allocation to public housing applicants.
VIC	Investment fund for regulated housing associations that can contribute private debt/equity for developments for a mixed income target group, competitively allocated across a small group of key providers, 2005–08.
WA	State Community Housing Investment Fund (2007) for regulated not-for-profit housing providers that can contribute private debt/equity for developments for a mixed income target group, competitively allocated across a small group of key providers.
Commonwealth	National Rental Affordability Scheme (2008) capital subsidies for 10 years to not-for-profit housing organisations to help them build or purchase new rental housing by using a mix of debt and equity, sourced privately or from other levels of government. Additional significant opportunities for not-for-profit housing organisations to expand their housing management services to private investors that receive tax credits in return for providing additional below market rental housing for 10 years. National Affordable Housing Agreement (2009) and the Nation Building and Jobs Plan (2009) include requirements for states to increase funding to not-for-profit sector providers to increase diversification (of providers of social and affordable housing) and to provide housing for a broader range of client types (than mainstream public and community housing). Range of other complementary housing initiatives (see Australian Government 2008a).

Source: The authors (details in text).

3.10.1 Planning policy

Overall, the approaches outlined in this chapter represent three broad strategies for addressing affordability through the planning system and development process. The first relates to planning for greater housing affordability in the private market, pursued through procedural reforms to the planning system, and new land release programs. Planning reforms in Victoria, NSW, and the ACT have been particularly focused on systemic changes to deliver more residential land on the metropolitan fringe, and to speed up planning approvals. Reform to funding approaches for local and regional infrastructure has also been a theme, particularly in NSW. The Commonwealth's new Housing Affordability Fund is intended to support such initiatives and is specifically designed to achieve swifter development approvals, facilitation of residential land release, and lower cost infrastructure provision. However, the extent to which such reform will improve housing affordability at regional and local levels is difficult to quantify. To the extent that planning reform reduces barriers to lower cost and more diverse housing development, all housing providers, including affordable housing providers, will benefit.

Planning interventions designed to secure dedicated affordable housing development opportunities are of more direct significance to the affordable housing sector. As outlined above, South Australia, Queensland, and to a lesser extent NSW, appear to have made the most progress in establishing provisions for affordable housing inclusion within their planning frameworks. However, with the exception of South Australia, the application of such mechanisms has been limited to specific areas (inner-city redevelopment sites in Sydney and designated Urban Growth Areas in Queensland). Even within these specific, high-value locations, the relevant state authorities have tended to pursue voluntary affordable housing contributions through negotiated agreements, rather than require mandatory contributions though an inclusionary zoning scheme. Where such schemes do exist, the scale of the set aside remains relatively modest in international terms (Gurran et. al. 2008).

Finally, it is worth noting again the resurgence of government land development authorities in securing affordable housing inclusion during the development or redevelopment of public land. Queensland, South Australia and the two territories have all established systemic approaches for securing affordable housing outcomes when government land is developed, with 15 per cent the standard target for affordable housing inclusion, and VicUrban has put a 'toe in the water' to be an owner of affordable housing by making a small NRAS bid. Other state land development agencies may follow this lead, thereby bringing the financing and land supply levers together.

Table 6: State and territorial innovations in planning for affordable housing, 2005–08

Jurisdiction	*Innovation*
ACT	ACT Land Development Authority commitment to ensuring that 15 per cent of Greenfield land released be affordable. ACT Planning Authority (ACTPLA) required to demonstrate how affordable housing outcomes are being met.
NSW	Voluntary planning agreements permitted to extend to affordable housing contributions (s93F EPAA, introduced 2005). Housing for Seniors or People with a Disability (State Environmental Planning Policy) density bonus for 'Affordable Places' (introduced 2007). Affordability Threshold introduced to restrict local development contributions to a maximum of $20,000 per lot/dwelling and reductions on state government development contributions (Section 94E Direction, effective February 2009). Affordability criteria to be a consideration in setting development contribution requirements (Environmental Planning & Assessment Act Amendment Bill 2008; implementation pending).
NT	NT Government commitment to achieve 15 per cent affordable housing when Crown Land is released for residential development (2008).
QLD	Affordable housing to be included in designated Urban Development Areas; local plans may require affordable housing as a condition of approval within these designated areas (2008). State Planning Policy 2007: Housing and Residential Developments – high growth local governments required to ensure that local plans provide for housing diversity.
SA	SA Government commitment to secure 15 per cent affordable housing on new residential estates / redevelopment areas (2005). Planning legislation permits affordable housing to be considered during plan making or development assessment (2007). Concession code to relax development controls for certified affordable housing (2008).
TAS	Commitment to undertake housing needs assessment in local planning.
VIC	VicUrban – commitment to ensure that 25 per cent of sales made at lowest quartile of local market. 5 per cent of VicUrban developments to be offered to affordable housing providers. Affordable housing for Transit Cities under consideration as part of redevelopment process. Inclusionary housing model under development for inner Melbourne region.
WA	East Perth Redevelopment Authority Draft Housing Diversity Policy (2008), which would require developers receiving density bonus to contribute to affordable housing on site or to a dedicated fund.

Source: The authors (details in text)

3.10.2 Regulation

There is considerable momentum for strengthened national regulation to underpin the expansion of the affordable housing sector, as evidenced by an agreement by all jurisdictions to a national regulatory framework for affordable housing and subsequent agreement to national regulation.

Since 2004, legislation to regulate the not-for-profit housing sector has been introduced or is planned in Victoria, New South Wales, Western Australia and the ACT. As South Australia and Queensland have existing legislation, only Tasmania and the Northern Territory remain without a legislative base for regulating the sector. All existing and planned regulatory systems have broad coverage of the community housing sector, although much of the impetus for strengthened regulation is driven by policy directions supporting the development of larger scale affordable housing providers.

Our examination of the emerging regulatory approaches across Australia, as reported in this chapter, found growing convergence in areas such as the adoption of a legislative basis for regulation and tiered registration regimes, with an emphasis on growth providers. However, there remains significant divergence of policy and practice in approaches to definitions, regulatory requirements, powers of regulators, modes of intervention and sanctions. This divergence is unsurprising, given a high degree of diversity between states and territories in past regulatory approaches; the historical development, nature and scale of the community housing sector; and differing policy commitments to growth of the not-for-profit affordable housing sector.

Clear policy commitment to significantly growing the not-for-profit sector is evident in NSW, Vic, WA and the ACT and this is reflected in strong emphasis on legislation based regulation of growth providers. Strong regulation is widely considered necessary to provide assurances to tenants, government and private sector partners and is also seen by stakeholders as indicating government commitment to further investment in the sector. South Australia and Queensland have less explicit expansion policies and their current legislation based regulatory systems will require significant changes to align them with the agreed national framework. Tasmania has a small number of housing providers and has, to date, retained contracts to regulate their growth. Similarly, the NT has a very limited mainstream not-for-profit housing sector and is in the process of significant reforms in the Indigenous community housing sector.

Implementation of state based regulation specifically designed for not-for-profit affordable housing is in the early stages, with the most developed system operating in Victoria for just over two years. Assessment regimes and performance benchmarking are relatively under-developed, while many issues, including definitions, scope, intervention strategies and application of sanctions, either under development or untested.

Comparisons of key characteristics of regulatory approaches in the six jurisdictions that have legislation in place, or proposed, are provided in appendix 2. While all jurisdictions have tiered registration, the number, designation and definitions differ markedly. Powers of intervention and sanctions vary considerably, for example between NSW and Victoria. NSW adopts the terminology of the national framework (regulatory code) while Victoria refers to ‘performance standards’, ACT uses ‘standards’ and WA and Queensland apply ‘prescribed requirements’. The differences appear to be more than mere linguistic preferences and indicate significantly different approaches to fundamental issues, such as whether regulation should set minimum requirements or promote continuous improvement.

Assessment regimes are not well developed so far, except in Victoria, but diverse approaches are emerging that emphasise either compliance or performance, and use assessment tools ranging from comprehensive external assessment, risk based assessment to self assessment. Interviews with regulators indicate that these differences reflect their different attitudes to enforcing regulation, which cover a spectrum from a belief in highly interventionist approaches to a preference for applying a 'light touch'.

Table 7: Major regulatory innovations: not-for-profit growth sector, 2004–08

Jurisdiction	***Innovation***
ACT	Enacted legislation in 2008 to regulate affordable and community housing providers. Development of regulations and Implementation planned for 2009.
NSW	Introduced administrative registration system in 2004 and replaced with legislation in 2007. Registrar appointed 2008. Regulations under development.
QLD	2003 legislation amended in 2007 to align allocations processes and other requirements with broader social housing policy reforms. From 2007, there is a requirement for all affordable housing allocations to be managed through a public housing register.
VIC	Legislation and regulations enacted in 2005. Registrar appointed 2006 Registration, reporting and inspection regimes implemented.
WA	Established administrative registration system in 2007. Consultation commenced in 2008 regarding introduction of legislation.
Commonwealth	Supported introduction of consistency through national regulatory framework in 2008. Advocating national regulatory system in 2009.

Source: The authors (details in text).

4 AFFFORDABLE HOUSING NOT-FOR-PROFIT DEVELOPERS IN AUSTRALIA

Over the five years since the previous study, not-for-profit providers in Australia have increased in scale, complexity and maturity. There are now more and larger organisations undertaking housing development using a range of financing, procurement and design approaches. Following on from the previous chapter, which described the policy and institutional domains for this endeavour, this chapter examines the development of housing providers individually and collectively over the past five years. It provides the findings of the Australian empirical component of the study and draws on data collected through a provider survey, interviews with housing providers and other stakeholders, focus groups with tenants and an analysis of financial reports, documents and websites of housing providers. The material in this chapter contributes to addressing research questions 1–5, listed in chapter 1. The highly fluid and dynamic nature of policy and provision in this area, especially from the end of the 2007 year, presented challenges for the study, and while our response has been to reflect recent developments wherever possible, most of the qualitative research was undertaken progressively during 2008 and thus reflects the situation at that time.

The chapter begins by describing and classifying affordable housing providers using the typology outlined in chapter 2. Next, an analysis is undertaken of the core features of the business models underpinning the leading developer group, followed by a web based review of their projects and an analysis of the financial performance and design outcomes of a sample of their completed construction projects. Based on this analysis, a number of guiding principles are proposed. The corporate governance features and trends within the sector and emerging institutional arrangements and sector development initiatives are then discussed, followed by a report on the experiences of providers, key stakeholders and tenants regarding achievements and emerging issues. This penultimate section provides some compelling evidence on impacts for tenants. Finally, an overview of the findings, drawing on the rich and extensive information included in the chapter, is provided.

4.1 Classifying and describing not-for-profit developers

The 2004 report provided a detailed profile of the seven leading not-for-profit affordable housing developers in Australia at that time (Milligan et al. 2004, table 8). Three of these providers operated in parts of Victoria and one in each of Sydney (geographically limited), Brisbane, Canberra and Perth. Five had been established by state or local governments as 'arms length' agencies to develop or manage housing and two were community based service organisations that had moved into the housing development field. Two of the organisations had been funded directly by government to acquire housing, most of the others were bidding for one-off and small scale projects using funding offered by government under a joint venture model, and one undertook development projects using its own resources. Between them, they had developed or purchased around 1,200 properties in the decade preceding 2004. This figure gives an indication of how small their development functions were: all but one agency that had a guaranteed development program relied on housing management functions to be viable. Levels of private investment were commensurately low, although good leverage of the available government funding was being achieved. All but two of these organisations had no funded growth path and only one agency had plans for significant growth that had been funded. A variety of regulatory arrangements, mostly funding agreements and project based contracts, operated. The 2004 report concluded that this fledging group of not-for-profit developers had shown good potential but that they would need considerably greater backing from government to become sustainable affordable housing providers (Milligan et al. 2004).

The present study has tracked what has happened recently to the agencies that were identified in 2004 as the leading developers, and examined others that have entered the field. As chapter 3 indicates, most state and territory governments have become more systematically engaged with expanding and improving the efficiency and performance of their not-for-profit housing sectors, including offering financial incentives for larger players to move into procurement and ownership of housing as a means of leveraging government resources, transferring assets to them (in some places), achieving greater economies of scale and improving choice for clients. This development has assisted the leading agencies identified previously to stay in business and by the end of 2007/08 they had contributed to the emergence of four other principal players. This now enlarged group of eleven lead providers is examined in more detail in section 4.2.

In response to emerging opportunities a much larger group of organisations (over 30) have, or are, exploring the potential to take on a housing development and financing function. Many of these have invested in bringing a development capacity in house and/or have undertaken one or two projects. This group of emergent and aspiring developers comprises mainly two kinds of service agencies, each with distinct histories. One kind is represented by some of the larger traditional community housing providers that emerged across Australia from the late 1970s, operating under various community housing programs established under former Commonwealth State Housing Agreements[36]. The other kind is not-for-profit organisations that have operated under other government policy and funding regimes and are considering a move into affordable housing. Included in the second group of agencies are: welfare service organisations; specialised disability service organisations that provide supported housing; retirement housing and aged care providers; and homelessness services. These types of agencies are being attracted to expand their housing function by the state-funded joint venture models and the new NRAS incentive (described in chapter 3) because they have balance sheets that can be used to offer financial security and land. Also, unlike the situation of smaller, specialised community housing agencies, many of these organisations make healthy profits on their other services, which can be used for reinvestment or to service debt. Following the introduction of the NRAS in particular, it seems likely that several of these agencies will be able to use this mechanism to help achieve their growth plans (see section 3.9).

In table 8 we use the first variable in the classification from chapter 2 to estimate the numbers of not-for-profit organisations across Australia that are operating in, or have potential to start up, affordable housing supply programs in the short to medium term. Given the highly dynamic nature of affordable housing policy and providers at present, together with the recent initiatives announced by the Australian Government to expand delivery of housing by not-for-profit providers under the Nation Building and Jobs Plan especially, the positioning of organisations within this classification is expected to change rapidly over the next few years.

[36] Bisset and Milligan (2004) provide a brief review of the development trajectory of this group of agencies.

Table 8: Estimated numbers of established and potential not-for-profit housing developers, Australia 2009

Types of not-for-profit housing developers and growth providers	*No.*
Established developers already procuring at modest scale.	11
Emergent developers intending to scale up, some with limited procurement experience.	11
Aspiring developers with some limited procurement experience, unclear growth path.	6
Growth partners (growing through management services linked to supply).	4 + [1]
Traditional 'asset-rich' service agencies and church organisations expanding into affordable housing.	11 + [2]

[1] This research method traced agencies undertaking or about to undertake their own procurement of housing. Therefore, not all not-for-profits that are growing to scale through expanding their tenancy management role will have been picked up.

[2] As these agencies tend to expand into housing on an opportunistic basis, they may not be identified via the research method used in this study.

Source: Surveys and interviews conducted for this study, plus information from regulators

For this study, we surveyed and interviewed the 11 providers in the first category and spoke to a sample of providers in the remaining categories. We explain the basis of our classification of organisations in each of these groups in the following sub sections.

4.1.1 The leading developers

Table 9 identifies the eleven leading not-for-profit housing developers across Australia and provides information on their growth since 2004. It is difficult to quantify accurately the total amount of growth that has occurred in these agencies through direct procurement since 2004, as this information is not reported consistently by either the agencies or governments[37]. Using the information available to us from various sources, we estimate that these eleven providers own about 3,040 additional dwellings to those they owned in 2004 (estimated at around 2,400[38]). Of these additional dwellings, around two thirds are estimated to be additional supply procured directly by the agencies and around one third has been transferred from other ownership (usually government).

Procurement pipelines reported by the lead providers show that over 2,330 additional dwellings were at various stages of procurement at the end of the 2007/08 year[39].

Thus, in total, the eleven lead providers at the end of 2007/08 owned over 5,440 dwellings and will finalise procurement of at least another 2,330 in the following year or so, not counting any further transfers of social housing that may occur. When the current pipeline is exhausted, there will have been about a 220 per cent growth in

[37] It is also not possible to say how much additional supply has been procured by other small providers using the various programs described in chapter 3. However, this will be a small number as total resources have been so limited and most funding has been directed to the larger providers analysed here.

[38] Note that one provider, Common Equity Housing Ltd, owned 1,635 dwellings in 2004. The next largest provider was City West Housing, with 365 dwellings owned (Milligan et al. 2004).

[39] These data predate the impact of NRAS allocations announced in December 2008.

stock under the control of the biggest eleven players since 2004. As would be expected, the data show clear trends to accelerated growth and a more diversified pattern of growth across providers since 2004. Most now have small to modest forward development plans (table 9). All these lead providers also have some specialised in house capacity to undertake development, raise finance and manage procurement and asset planning, although most also rely heavily on consultancy services, especially for project feasibility, design and planning approval.

Brisbane Housing Company (BHC) and Yarra Community Housing (YCH) have experienced significant new growth. The strategies that are being pursued by these agencies to achieve growth are outlined in box 1. These examples highlight two key factors that have driven success: the role of government funding and the initiative of key personnel in leading the way and building organisational capacity. In some cases, it has been the entrepreneurial disposition of the organisations that has created the opportunities for growth. Community Housing's move into NSW and the founding of Housing Choices Australia are examples where agencies chose to invest in capacity to position for growth before having a secured development path.

In addition to expanding their development role, most of the leading providers have also extended their influence and developed their businesses using a range of complementary strategies which have included geographic expansion, mergers with (or takeovers of) other housing agencies to increase their scale of operation (usually resulting in additional stock under management), and accepting stock transferred from government. One or two have taken on new business roles, for example, BHC now offers development and project management consultancy services to other housing providers on a fee for service basis and CHL has expanded its building division, which contracts with other providers.

Box 1: Growth trajectories, Brisbane Housing Company and Yarra Community Housing

Brisbane Housing Company Ltd (BHC) was founded as a special purpose vehicle in 2002. The Company was a joint initiative of the Queensland Government and the Brisbane City Council, which contributed $50 million and $10 million respectively as foundation equity over four years (capital and land). More details about the governance and origins of the company are in Milligan et al. 2004. The Company's central mission is to increase the supply of housing for low income people in inner Brisbane (defined as a 7 km radius of the CBD). Initially, the Company had no balance sheet or revenue, only committed capital. There have been two high-profile chairs of BHC over its life and the founding CEO still runs the Company.

Starting from scratch as a business, the inaugural BHC Board chose to focus on housing development. Consequently, all tenancy management had been outsourced to established not-for-profit housing organisations until recently. That decision allowed BHC to specialise in housing procurement and asset management, quickly building up significant expertise and capacity. While early projects were predominantly publicly financed, BHC's growing balance sheet has enabled it to secure substantial private finance. The Company has been prevented from housing a mix of clients in its government funded dwellings by state policy rules that require the housing manager to house only clients referred from the public housing waiting list.

Following changes to its constitution agreed with its government shareholders, BHC recently founded a private development services subsidiary to provide advice on a fee basis to the company itself, and to other budding developers of affordable housing across Queensland. At the same time, following the rule changes, it began doing larger, more complex mixed tenure, mixed use developments using separate delivery vehicles, both to quarantine risk and preserve their charitable status. These projects enable higher densities on large sites without comprising social mix and create surpluses that can be reinvested in affordable housing. Two initial developments brought to market in 2008/09 sold very quickly (see section 4.2).

BHC has built a sizeable portfolio over five years comprising 636 dwellings by February 2009. At the end of 2007/08 the net asset value of its dwellings was $155 million. Over 80 per cent of the portfolio comprises boarding-house rooms, studio and one-bedroom apartments in small to medium multi unit complexes. These have proven to be cost-effective products for BHC - by giving a good yield per site and meeting a significant gap in both the social and market supply in the inner city. BHC continues to receive grant funding on an ad hoc basis from its shareholders, but once its current target of around 1,000 dwellings is met, it does not have a secure growth path.

Yarra Community Housing Ltd operates mostly in a similar inner city market to BHC (with offices located in Fitzroy and Footscray, Melbourne) and also caters predominantly to a singles population group. However, it has had a different path to growth. YHC began as an agency managing rooming houses in the 1980s. It gained some early experience developing a small amount of community housing in the 1990s, became a company in 1996, and was successful in gaining funding for more projects under a state joint venture program Social Housing Innovations Project (SHIP) after 2000. 'The reason we were able to participate in SHIP is because of the projects we had done in the early 1990s. This provided our skills base and established relationships with professionals – such as our architects.' Under SHIP, YHC did four development projects, involving 44 units. Initial projects did not involve borrowing but had partner land. 'This scale and style of development provided a comfortable entry point for the organisation' (Leslie, pers. comm. November 2008).

When the housing association model commenced in Victoria in 2005, YHC made a conservative business case based on a low level of leverage (about eight per cent) commensurate with their experience and their very low income target group. This was not successful, leading to a review of their mission and business model. Subsequently, it decided to adopt a mixed income model by including some employed singles and families in its projects. It has been a very successful housing association since, receiving significant funding from the Victorian Government ($13.5 m 2001–07) and land and other benefits worth $6.5 million from project partners. It is now a similar size to BHC, but this has resulted mostly through transfer of ownership of stock it manages. Its net asset worth grew from $5 million to $71 million over three years to 2007/08. However, it remains concerned that pressure to increase its level of debt (to meet Victorian Government leverage targets of 25 per cent) is moving them away from housing their core target client group of low income singles, vulnerable and homeless people (the current target is for these groups to comprise 60 per cent of their allocations). Maintaining its focus on this client group makes it difficult for the organisation to compete for funds with other providers who are housing higher income groups, 'the leverage target not the social goal is driving the model' (Leslie, pers. comm. November 2008).

YCH is a good example of how an existing community housing organisation can respond to development opportunities by building capacity and forging specialised relationships with private firms, especially for architectural and planning services. It currently has three in-house development staff and the CEO is actively involved in project negotiation and planning. There has been continuity of senior staff and a stable board over the extended period in which YCH has moved into housing development. It too has no secure growth path once the current funding allocation for housing associations in Victoria is exhausted.

Source: interviews with CEOs of the two agencies, agency websites annual reports and strategic plans.

Table 9: Leading Australian not-for-profit affordable housing developers 2004-08

Organisations procuring at modest scale 2008	*Active as developer in 2004*	*Geographic area for development activity*	*Trajectory 2004-2008*	*Dwellings owned 2004 (excludes managed-only dwellings)*	*Dwellings owned end 2007/08*	*Dwellings under development & planned purchases end 2007/08*
City West Housing Ltd 1994	√	NSW, specifically Pyrmont /Ultimo and Green Square, under existing affordable housing programs applying to those areas.	Continuing operation under arrangements applying in 2004.	365	491	57
Community Housing Canberra Ltd 1998 (now trading as *CHC Affordable Housing)*	√	ACT	Agreement in 2007 with ACT Government to ongoing procurement role, supported by asset transfers and credit facility from government.	15	147 (132 transfers, some disposals after 2004)	51
Melbourne Affordable Housing Ltd 2000 (trustee for *Inner City Social Housing Trust, Ecumenical Housing Trust* and *Inner City Social Housing Fund*)	√	Victoria	Registration as housing association in Victoria 2005 Plan to join Housing Choices Australia Group announced December 2008.	119 (from Ecumenical Housing)	222 (some transfers)	220
Brisbane Housing Company Ltd 2002 (wholly owned subsidiaries BHC Development Services Ltd; BHC Nudgee Ltd; BHC Richland Ltd)	√	Inner Brisbane , Queensland.	Continuing operation under arrangements applying in 2004 until 2009 Secured private financing Moved into for-profit development 2008	101	596	298

Organisations procuring at modest scale 2008	***Active as developer in 2004***	***Geographic area for development activity***	***Trajectory 2004-2008***	***Dwellings owned 2004 (excludes managed-only dwellings)***	***Dwellings owned end 2007/08***	***Dwellings under development & planned purchases end 2007/08***
Foundation Housing Ltd 2006 (formed by merger of Perth Inner City Housing Association (PICHA), Northside Housing and Eastern Metro Community Housing Association)	√ (through PICHA)	Perth, WA	Expansion through merger Registration as growth provider 2007.	75 (PICHA)	163	200
Community Housing Ltd 1993 (subsidiary *Community Housing Victoria Ltd*)	√	Victoria, NSW, Tasmania , Northern Territory	*Community Housing Victoria Ltd* registration as housing association in Victoria 2005. *Community Housing Ltd* awarded growth provider status NSW 2008 and preferred NRAS provider Tasmania 2008. Merger with Mid North Coast Community Housing (NSW) scheduled for 2009.	25	252 (151 transfers)	503 (est.) Note CHL develops for other providers (excludes international program)
Port Phillip Housing Association 1985 became company limited by guarantee 2005 (trustee for *Port Phillip Housing Trust 2005*)	√	Victoria, especially Melbourne	Transfer of development role and assets from City of Port Phillip (CPP) to PPHA and PPHT, respectively.	78 (managing 254 properties owned by CPP, later transferred)	535 (includes transfers from CPP)	28
Loddon Mallee Housing Services Ltd 1994 (company formed from	X	Victoria, especially regional	Registration as housing association in Victoria 2005.	NA	221	100

Organisations procuring at modest scale 2008	*Active as developer in 2004*	*Geographic area for development activity*	*Trajectory 2004-2008*	*Dwellings owned 2004 (excludes managed-only dwellings)*	*Dwellings owned end 2007/08*	*Dwellings under development & planned purchases end 2007/08*
existing organisation)						
Yarra Community Housing Ltd 1996 (company formed from existing organisation; merger with housing provider Metro West Housing Services, in train 2008)	√ (some discrete projects – not included in lead group in 2004)	Victoria, especially Melbourne	Registration as housing association in Victoria 2007 (previously registered as a housing provider 2005).	NA	615 (managed 'owns vast majority')	480 (Oct 2008)
Common Equity Housing Ltd 1987	√ (some discrete projects – not included in lead group in 2004)	Victoria	Registration as housing association in Victoria 2007.	1638 (procured in 1980s and early 1990s under a state initiative)	1780 (some disposals of old stock)	95
Supported Housing Ltd 1993 now part of *Housing Choices Australia Group* that also incorporates *Singleton Equity Housing Ltd, Disability Housing Ltd, Disability Housing Trust*	√ (some discrete projects – not included in lead group in 2004)	Victoria	Registration of Supported Housing Ltd as housing association in Victoria 2005. Joined *Housing Choices Australia Group* 2006.	53 (owned by Singleton Equity Housing Ltd and managed under contract)	345 across group (includes 177 transfers)	80

Sources: Milligan et al. 2004; surveys and annual reports of agencies, interviews

State comparisons

The main change to membership of the leading group of affordable housing developers has occurred in Victoria. In 2004, three of seven providers were found there. In 2009, seven of eleven developers were located in Victoria, including the original three, and there had been no change to the major players located in the other jurisdictions. However, as we note below the next emergent developers are likely to be located in other states, especially NSW.

The Victorian Government's commitment to a new model of affordable housing provision centred on the growth of existing housing associations, linked to a strong history of community activism and innovation around housing in that state, has been the major driving factor behind the take-off of a not-for-profit provision model with strong potential for sustainable growth in Victoria[40]. The state government's main contributions have been twofold: introducing a specialised regulatory model capable of assessing and managing financial risk, ensuring public accountability and promoting quality services for tenants; and channeling capital funds to a small number of designated providers to help them to achieve scale and build capacity (section 3.2 gives more detail). The target organisations, all of whom were already operating as housing agencies, have responded to this stimulus and opportunity by making significant organisational changes affecting their constitutions, governance, functions and operations, professional staffing mix and geographical sphere of operation. They have also taken on much greater levels of financial and operational risk than previously and have been strong advocates for evolving policy to be more responsive to their growing business experience and responsibility, both as individual agencies and on a collective basis. Additionally, as growth has accelerated, expert consultants and high profile individuals such as a former housing authority chief executive and several former politicians, have been attracted into the field and peer support groups have been strengthened. In short, the Victorian housing association sector has started to resemble forms of well established housing association sectors that operate in similar countries overseas (see Gilmour 2009, Lawson and Milligan 2007, Berry et al. 2004 and Bisset and Milligan 2004 for comparative perspectives).

Other jurisdictions have not emulated Victoria to the same extent, although there are increasing signs that this will occur with NSW, WA, the ACT and, most recently, SA making commitments of a similar type to those which have propagated significant change in Victoria. Overlaying all this groundwork is the Australian Government's interest in having a more diversified national social housing provision system that is structured around more, and larger, not-for-profit housing developers and managers, as outlined earlier in the report. Not-for-profit providers in the states that have already restructured their community housing sector, introduced an appropriate regulatory framework, invested in off-budget community housing assets and broadened their skills base will be best placed to benefit from the next phase of growth.

4.1.2 Emergent developers

Organisations in the second group in table 8 have achieved recognition by government as potential growth providers and are poised to become significant developers and owners of housing. At the time of the study, organisations in this group typically had completed one or more procurement projects (usually through market purchase rather than doing their own development). At the time of classification, while they had direct or indirect support from government to expand their development program, this growth phase was only just commencing. If their

[40] Two of the authors of this study contributed to development of that strategy.

expansion continues along current plans, they can be expected to move into category 1 within a couple of years.

Typical agencies in this category are traditional community housing organisations which have moved into property acquisition by aggregating their net operating surpluses and competing for government funding under the programs outlined in the previous chapter. Five were recipients of NRAS allocations in the first round. While NRAS has presented an opportunity for them to address their development aspirations, the nature of that program (such as competitive bidding and the need for supplementary funding or own equity to make projects viable) still makes their growth path uncertain. Consequently, most had not yet invested in in house development capacity. Instead they were using consultants that could offer that service and at the same time transfer skills to them. Their lack of procurement capacity coupled with small organisational balance sheets and limited working capital has also meant that organisations in this category are more likely to be procuring via acquisition than doing their own developments, as category 1 providers do.

Of the eleven agencies we classified in this group, six were registered in NSW, two in SA, one in WA, one in Victoria and one in Queensland. Only one of the group, Gold Coast Housing Company (GCHC), had an assured growth path, as a result of investment by Gold Coast City Council and the Queensland Government[41]. While actively pursuing a development program, GCHC had not completed a major development at the time of this study. Another new agency in this group, Common Ground SA has adopted an innovative business model that aims to combine philanthropic fund raising for long term housing for the homeless with undertaking developments in the private market that can produce profits for reinvestment in low income housing (Crafter, personal communication, August 2008). A high-profile board and high-calibre staff have been attracted to the organisation to achieve this ambitious goal (http://www.commongroundadelaide.org.au/). Common Ground SA's first development project commenced during this study.

An innovative way for like-minded community housing organisations to achieve critical mass to support a development function has also been demonstrated in NSW. Five well established and well performing housing associations have formed a new parent company, Blue CHP Ltd (Blue Community Housing Providers), which will operate as an asset developer and owner for them, enabling them to expand their local housing service. Blue CHP is on a rapid growth path. It has been offered full funding for acquiring 52 dwellings and part funding for acquiring 242 dwellings in NRAS, round 1, but the company does not yet have an in house development capacity. Development services are contracted in. As securing private finance for the second tranche of NRAS incentives that were offered has been affected by the credit crunch, the organisation is currently pursuing other financing options (Larkin, personal communication, November 2008).

If housing providers such as those we have identified in this second group could be assured of a steady growth path, they would have the potential to become effective developers (like those in category 1), resulting in better national coverage. The core requirements for their development business to expand include certainty of funding

[41] The Gold Coast Housing Company was established in 2007 from the merger of two local accredited community housing organisations with a remit to become a not-for-profit housing developer, in addition to continuing with its established tenancy management functions. Initial capital funding assistance of $3 million over three years was offered from the Gold Coast City Council. This was later matched by a $12 million investment from the Queensland Government. Adding in internal funds contributed by the constituent organisations, Gold Coast Housing Company has over $23 million to invest in additional affordable housing (Cubit pers. comm., December 2008).

from government and a line of credit, secured against an asset base, such as could be achieved through transfers of publicly owned stock currently under management. Meeting these conditions will enable these emerging developers to commit to having in house development capacity that is sustainable, and to establish a development pipeline.

4.1.3 Aspiring developers

The third group of community housing organisations with development potential are mainly differentiated from the second group above because they have not received recognition from government as growth providers or similar and/or they do not yet have critical mass to support ongoing development. While they are relatively large service organisations in their field, with aspirations to establish a development program, they do not have working capital or an asset base and are dissipating their own small surpluses to buy in capacity and do one off projects (purchase or development), with project-specific funding allocations. We estimate there are at least six providers currently in this group: two in Queensland, two in NSW and one each in the ACT and Victoria. Of these one is a new agency, Urban Communities, which is the first not-for-profit to set up in Australia as an organisation specialising in neighbourhood renewal areas. Currently, Urban Communities has a range of management responsibilities[42] in Kensington, an inner Melbourne suburb. Its mission is to develop and manage affordable and social housing across specific locations in Victoria, especially public housing renewal sites, and it is currently seeking registration as a housing association.

Estimating the potential size of the group of aspiring developers is difficult, as many existing community housing providers with little or no procurement experience aspire to be developers, and there is no data base of these organisations that can be interrogated. As for the group of emergent developers identified, aspiring housing developers could grow with government backing, investment in organisational capacity and financial support.

4.1.4 Expanding tenancy managers

We identified another small group of providers who have chosen expanding tenancy management as their preferred growth path at this stage. These agencies plan to build on their existing specialisation to achieve greater economies of scale through partnering with private and not-for-profit agencies that are investing in additional rental housing. If the expectations set out in NRAS guidelines, that rental investors will partner with not-for-profits to manage the rental housing that is secured, are met this particular business strategy would receive a significant impetus. As well, if state housing authorities choose to transfer the management but not the ownership of social housing dwellings procured under the NBJP (see section 3.9), increasing the number of properties under management may be the main source of growth for most of Australia's community housing organisations in the foreseeable future.

One distinctive organisation whose model is based on harnessing privately owned housing for social housing clients has been set up by the Tasmanian Government, using an intermediary company, the Tasmanian Affordable Housing Limited (TAHL). The features of this model are set out in box 2.

[42] Urban Communities currently acts as a strata manager and tenancy manager for housing on the former Kensington public housing estate. The company is also licensed as a real estate agent.

4.1.5 Traditional not-for-profit service providers

As explained above, our research has noted several long-established service providers across various sectors taking an interest in providing affordable housing. These include church organisations and secular or non-secular agencies in the disability sector, the aged care sector, the homelessness services sector and the employment sector. Examples include: Mission Australia; aged care providers such as UnitingCare Ageing NSW/ACT, CareHousing in Queensland and Southern Cross Care in WA; the Adelaide Benevolent Society; Access Housing in WA and STEPS (Southern Employment Training and Placement Solutions) in Tasmania.

All of the above agencies and several others that we know of, have secured funding from one or more of the government housing programs discussed earlier or they have applications pending. Several have set up a division or subsidiary to develop their affordable housing service. For many of these agencies, moving into housing is designed to meet a gap in service provision – for example, to offer long term housing options to homeless clients or to provide affordable housing for key workers in their industry. Box 3 charts the rationale for entry into investing in affordable housing of STEPS in Tasmania, as one example of the innovative path these organisations are pursuing.

Typically, these multi-function organisations already have a strong balance sheet, often including sites suitable for residential development or redevelopment, that helps them to leverage the new government-funding opportunities for affordable housing. While their resource base also represents an opportunity for government, there is a danger that further fragmentation of what is already a very diverse not-for-profit housing sector may result. Alternatively, some cross sector mergers or partnerships may emerge. Also, as these agencies are well established and well resourced, a lack of continuity in their housing growth may be less of an issue for them than it is for the less diversified, mainstream community housing providers.

Box 2: Tasmanian Affordable Housing Limited

Tasmanian Affordable housing Limited (TAHL) was founded in 2006 by the Tasmanian Government to provide a means of delivery for a proposed affordable housing supply program in Tasmania. TAHL is a public company limited by shares. The TAHL Board comprises an ordinary shareholder (the Minister for Housing) and between six and 15 community shareholders. The six initial community shareholders appointed for three years represent the major not-for-profit service sector agencies in Tasmania. The ordinary shareholder appoints two Board Directors and the community shareholders appoint four, periodically. Appointments must cover the skills requirements that are specified in the company's memorandum. An independent chair is appointed by agreement among the shareholders and the Managing Director also sits on the Board.

Like other affordable housing companies and large housing associations across Australia, TAHL can borrow funds and develop, own and manage property, but to date it has not had the working capital or balance sheet and revenue stream to do so. Instead, the Tasmanian Government has opted for a recurrent funding model, under which TAHL is able to lease new supply from private developers and investors to sublet to public housing eligible applicants at income-related rents (set at 30 per cent of household income plus all Commonwealth rent assistance to which the household is entitled), with supplementary government funding being used to provide a 'negotiated' market return to the property owner. This model has close similarity to the procurement method developed by the Defence Housing Authority to acquire housing for military personnel for a fixed period, typically ten years.

Unlike the Defence Housing Authority, TAHL does not manage the head-leased stock; this function is contracted out to private real estate agents. Hence, TAHL operates as an intermediary between a private supplier and a for-profit manager. Its functions essentially are administrative, centred on: selecting and managing tenders and leasing agents; allocating tenants from the public housing waiting list; and accounting to Housing Tasmania for funds expended on rental subsidies and other reporting requirements under the funding agreement with the Tasmanian Government. Through its funding agreement with TAHL, the government subsidises the private investment in and the management of the social rental housing supplied, as well as meeting fixed operating costs of the company. It is the responsibility of the company to ensure that its financial dealings are viable. However, it can make a case for a funding adjustment, if investment and operating conditions move adversely. Any company surpluses are returned to the government.

TAHL has first option to lease properties tendered under its procurement program for 20 years. However, current leases are mostly for five years (with options for three further periods of five years each), as the government's recurrent subsidy commitments only extend up to 2011/12. A target to obtain 700 properties over four years from 2007/08 is included in the funding agreement (White, pers. comm. October 2008). In the tenders issued by TAHL so far, of 320 properties accepted, 74 were on private land (23 per cent) and 246 (77 per cent) on ex-crown land, sold at market value to help achieve the supply side objectives of the program. Fifty-seven properties in total were completed and occupied in October 2008 through TAHL (Gillam, pers. comm. October 2008).

Box 3: Housing investment model: Southern Employment Training and Placement Solutions, Tasmania

Southern Employment Training and Placement Solutions (STEPS) has been a not-for-profit employment services provider for 25 years. It entered the job network arena in the 1990s and recently decided to enter the housing field, principally as an investor/ developer. Its first project of 11 dwellings at Warrane was completed in May 2007. Most of the properties acquired are head-leased to TAHL (see box 2). STEPS is one of six community shareholders in TAHL. Seventeen further dwellings were in the pipeline in 2008 and an annual target of acquisition of 100 dwellings has been set, with 30 potential development sites identified in 2008.

STEPS' interest in housing was generated by looking for a complementary activity that might produce capital growth for the organisation and utilise its own surplus – that is, it has a socially benevolent investment-driven vision. One interviewee described the organisation as 'fourth sector entrepreneurs'. Interestingly, the idea of linking employment and training schemes to housing was not at the forefront of its thinking and has not been a main activity – 'as it is not cost-effective without additional subsidy'. Other drivers of its innovation were identified as the 'need for housing' and 'community development goals' of the company. The STEPS CEO and Deputy CEO have a close association with Ken Marchingo of Loddon Mallee Housing Services and STEPS was a founding member of PowerHousing (see section 4.4)[1].

To underpin its move into housing, STEPS established a for-profit 'community housing property trust' to attract a small number of ethical investors into the field. Investors targeted are other not-for-profits and company employees. The expectations given to investors are that they will benefit from capital growth more than from a regular dividend. STEPS has a controlling interest in the trust of 51 per cent and has invested some of its surplus there. Alongside trust funds, debt financing (raised through Community Sector Banking[2]) has been used for construction.

The STEPS model is an example of an innovative community-based partnership that has developed in the absence of a major government funding program, such as operates in more populous Australian states. In future, similar community-investment partnerships on a larger scale could be fostered through the use of NRAS incentives, via a national or state based trust structure.

Sources: Interview with STEPS staff, Annual Report STEPS 2006/07, http://www.stepstas.com.au/

[1] Jason Cubit (Gold Coast Housing CEO) also worked at STEPS prior to moving to Queensland.

[2] Community Sector Banking Ltd is the product of a joint venture partnership between Bendigo Bank and a group of not-for-profit organisations, incorporated as Community 21 Ltd.

4.1.6 Other organisations in the network

During the course of this research we identified a new not-for-profit agency that has established itself as a broker of affordable housing in Queensland, the Queensland Affordable Housing Consortium, and several 'for-profit' affordable housing agencies that were engaged in developing or financing affordable housing. As well, for completeness, we note that the international agency, Habitat for Humanity, is active in parts of Australia offering a model of affordable home ownership that is supported through fund raising and building training for purchasers who contribute their own labour to build their homes. Habitat for Humanity has helped to provide over 70 homes in four states and a further 40 projects were underway in 2008. (http://www.habitat.org.au/). These agencies are not the core interest of this study but as they indicate further industry development we describe what is known of their models briefly in this section. Our ability to analyse for-profit agencies was limited because information about their business models is largely 'commercial in confidence'.

The Queensland Affordable Housing Consortium was established in 2008 as a not-for-profit company that seeks to act as an intermediary to facilitate affordable housing by linking local governments, developers, investors and not-for-profit housing providers to secure NRAS subsidies. The establishment of the consortium was sponsored by the community housing provider peak body after it lost state government funding. The consortium promoted its model extensively across Queensland, especially in regional centres, but only secured the offer of 53 NRAS subsidies in Brisbane in Round 1. The consortium is not a developer or owner of housing assets. This model only involves affiliated not-for-profits in the management of properties and has attracted interest from small, regional community housing providers that are inexperienced in working with the private sector. It has attracted limited participation by more established affordable housing providers, particularly those interested in gaining equity in projects.

For-profit agencies that are engaged in enabling affordable housing, using various investment and development models, include the Australian Affordable Housing Association Inc; Urban Affordable Housing Association, Affordable Home Projects and Affordable Housing Australia.

One example of 'for-profit' involvement in affordable housing under the auspices of the Australian Affordable Housing Association Inc resulted in private financing of affordable housing in Brisbane prior to the introduction of NRAS. Details of this model are protected by confidentiality agreements but some information is on the public record. Under this model the 'for-profit' entity facilitated the financing and delivery arrangements, including establishing a 'not-for-profit' charitable company to capture taxation benefits. To further reduce costs, town-planning concessions were gained from Brisbane City Council and risk sharing contracts negotiated with the builder and consultants. Under the obligations of the covenant imposed by the local authority, housing management is undertaken by a not-for-profit housing provider and rents are set at 80 per cent of market rent. The one property completed to date under this model is managed by a community housing provider. It is well located in the inner city and caters for low income workers, including some employed in community services. Subsequent projects that are at various stages in the development pipeline, including one large project of nearly 500 units, have been affected adversely by the financial crisis. Models such as this raise some interesting questions about the blurring of boundaries between market and non-market sectors and would benefit from more detailed research to identify the policy and regulatory implications of their approach.

4.1.7 Analysis of the leading developers

Table 10 below applies the remaining elements of the classification set out in chapter 2 to the eleven leading providers[43]. For those readers interested in more details about the operations of the individual providers, additional information is provided in Appendix 3.

Table 10 highlights a number of features of the operations of the leading developers, including:

- **Diversity**: Across the 11 providers there are substantial differences in scale, in operations, in governance structure etc., which reflect different organisational histories and different policy settings in the various jurisdictions within which they operate.
- **Scale**: In contrast to the findings of the previous AHURI report (Milligan et al. 2004) scale is starting to emerge in the sector. While a few providers have less than 500 dwellings, the largest has nearly 1,800 dwellings under its control and all have substantial development pipelines. Growth has happened both through procurement and transfers onto provider balance sheets. There has also been a recent history of mergers and amalgamations that has assisted this movement to scale, as providers realise economies of scale that are available for both procurement and property management. The most significant change from 2004 is the emergence, under the influence of deliberate government policy, of a class of developers in Victoria. The situation portrayed in the table is very fluid in the current policy context, with additional government funding streams being directed to some of these agencies as we write. Thus, it will be important to keep this record up to date.
- **Unevenness**: Despite the move to scale, development across jurisdictions is still patchy. For example, little growth has taken place in NSW, with only one localised inner city provider, City West Housing, continuing the role that was documented in the earlier AHURI report. Victoria provides the exception to this trend. There are also some markets which the sector has yet to penetrate (e.g. the metropolitan fringe).
- **Different risk profiles**: It is possible to identify three groups of providers in terms of risk – conservative, stable and aggressive. This assessment is based on their attitudes to risk, which emerged from the interviews, but also on their ratio of liabilities to assets, described in table 10. These profiles have been influenced by the history of the agencies, their governance arrangements, their staffing profile and their perceptions of their mission. Overall, gearing ratios among the leading group are conservative, suggesting that there will be good potential for further leverage, as the organisations become more experienced and government and lender/investor confidence grows.
- **Mixed income target groups**: The focus of most of the leading not-for-profit developers is on housing a mixed income client group. This represents a trend away from the policies of public housing agencies and traditional community housing providers who cater almost exclusively to the lowest income households and special needs clients. Housing a mixed income group has emerged as a way of improving the viability of providers, in the context of widening need, government requirements for a

[43] It would not be meaningful to apply the classification to the other classes of providers yet because their development businesses are embryonic.

component of private financing and the design of individual rent subsidies that are available to private renters in Australia[44]. However, balancing social objectives and financial viability for not-for-profit developers is a confused policy issue in Australia, as we address further in chapter 6.

→ **Rent setting and affordability outcomes**: Agencies vary in whether they apply income related rent setting (similar to traditional social housing in Australia) or set a fixed rent based on a discount to market (typically around 75 per cent). Cost rents are not used. Data is not collected separately on affordability outcomes for affordable housing program clients. However, agency rent setting polices generally are designed to achieve rents representing no more than 30 per cent of household income (or 25 per cent in the case of the lowest income clients) after any rent subsidies are taken into account (see appendix 3).

The drive to scale of the sector is also apparent from an analysis of the balance sheets of the leading providers. The results of an analysis of balance sheets over three years is summarised in table 11, which examines balance sheet changes for ten of the eleven lead developers from 2005/06 to 2007/08[45]. This group of developers, plus HCA had net asset worth of just under $1.3 billion in 2007/08. The data show that an increasing rate of growth in balance sheets is occurring. Growth has three components: increases in asset values over the period, stock transfers from government and procurement programs.

[44] Households renting from these agencies, who receive statutory income payments, are eligible for Commonwealth Rent Assistance (CRA), subject to the rent they pay being above the minimum for their household and benefit type (www.centrelink.gov.au). However, a maximum payment level applies. As the maximum payment level is standard across Australia, clients living in relatively high cost properties (such as those in higher rent locations) must normally meet a higher proportion of the rent from their income. Not-for-profit providers can offset this by reducing the rents they charge but this, in turn, affects their revenue stream, viability and capacity to use private finance.

[45] HCA has been excluded from this aggregate analysis because it only came together as a group in 2007.

Table 10: Scale indicators for leading developers, end 2007/08 year

Variable Name	*Categories*	*No. of not-for-profits*
Asset base (no. of dwellings owned)	1. < 200 2. 200 – 500 3. >500 – 1000 4. >1000	1. 2 2. 5 3. 3 4. 1
Total value of assets	1. <$10m 2. $10m – $100m 3. >$100m – $300m 4. >$300m	1. 1 2. 5 3. 4 4. 1
Procurement program (2007/08)	1. <100 2. 100 – 300 3. >300	1. 3 2. 3 3. 5
Development pipeline (no. of dwellings)	1. <50 2. >50 – 100 3. >100 – 300 4. >300	1. 1 2. 5 3. 3 4. 2
Rent revenue	1. < $1m 2. $1m – $5m 3. >$5m	1. 1 2. 6 3. 4
Liabilities/assets ratio	1. <5% 2. 5 – 20% 3. >20%	1. 3 2. 5 3. 3
Dwellings under management(2)	1. <500 2. 500 – 1000 3. >1000	1. 5 2. 3 3. 2
Governance	1. Company incorporated by guarantee 2. Company incorporated by shares 3. Other status	1. 9 [1] 2. 2 3. 0
	1. Skills based Board 2. Representative Board 3. Mix of skills and representatives	1. 6 2. 3 3. 2
	1. Government shareholders or appointees on Board 2. No direct government influence on Board	1. 4 2. 7
Main housing functions	1. Development only 2. Development and management	1. 1 2. 10
Main target group / rent setting	1. Social housing equivalent 2. Mixed income clients, rent setting varies 3. Mixed income clients,	1. 2 2. 5 3. 3 4. 1

Variable Name	Categories	No. of not-for-profits
	income related rents 4. Moderate income clients, fixed rents	
Geography	1. Local 2. City/ regional 3. State wide 4. Cross jurisdictional/ national	1. 2 2. 5 3. 3 4. 1
Market focus	1. Inner-city/high density 2. Neighbourhood renewal 3. All metropolitan 4. Fringe 5. Non-metropolitan 6. Metropolitan and non-metropolitan	1. 3 2. 0 3. 1 4. 0 5. 1 6. 6

[1] these include group structures that have one or more incorporated subsidiaries
[2] excludes BHC, where management is contracted out

Source: classification by the authors; information surveys, interviews, annual reports and websites

Table 11: Aggregate balance sheet changes of not-for-profit developers 2005/06 to 2007/08

Financial year	*Total assets*	*Net assets*	*Annual change total assets*	*Annual change net assets*
	$m	*$m*	*%*	*%*
2005/06	804	501		
2006/07	939	604	16.91	20.55
2007/08	1,364	1,181	45.20	[1]95.50

[1] In 2007/08 one agency (CEHL) received a one-off transfer to their balance sheet of a component of value of their dwelling portfolio, which was previously mortgaged to government (in return for accepting no further recurrent subsidies). This item distorts the net asset increase for that year.

Source: calculated by authors from annual financial statements

Impact of NRAS

The most significant funding source that has the potential to affect growth of these and other providers in the immediate future is NRAS. As indicated in chapter 3, 21 not-for-profits received a total of 2,106 offers under Round 1, 55 per cent of all offers[46]. Table 12 shows the allocation of these across the types of providers classified in this study. While the results of Round 1 seem to indicate a high rate of allocations to not-for-profits, many other factors may affect their success in subsequent rounds. Communication with the department that is administering the scheme has indicated that not-for-profits may have been better informed about NRAS and more familiar with government requirements than potential private players when the scheme was launched, but this situation is now being addressed through a communications and engagement strategy with a broad range of potential bidders

[46] Round 1 of NRAS only involved 7.5 per cent of the total program commitment over four years. The possible allocation of NRAS incentives over subsequent years is 7,500 in 2009/10, 14,000 in 2010/11 and 25,000 in 2011/12 (derived from government expenditure forward estimates).

(FaHCSIA personnel, pers. communication, April 2009). Also, private investors and developers' interest in NRAS is likely to increase as the number of available incentives grows. While a shift to private proponents may still provide opportunities for significant growth in the not-for-profit sector, growth would occur more through tenancy management than project development. Finally, at least eleven of the successful not-for-profit bidders received additional funding from their state government (over and above the minimum contribution required) to make their bids viable. As our review of funding in chapter 3 indicates, the extent of state funding that may be available for subsequent rounds is uncertain and appears to be quite limited.

In our interviews with providers, issues were also raised about the viability of NRAS as a key financing mechanism for not-for-profit developers. Some of their preliminary assessments have indicated that:

- The flat subsidy that is offered across Australia makes it more difficult to establish viable projects in higher cost but high need areas;
- Subsidy levels are insufficient to enable rents to be set at levels that will be affordable to many lower income households, especially single people; and
- Not-for-profits will face significant risk of having to rehouse many of their clients after the expiry of the subsidy in 10 years.

As well, the risk that providers operating in the intermediate market will jeopardise their charitable status (and associated cost efficiencies) has been identified elsewhere in this report.

These issues indicate that unless NRAS can be structured to link to other forms of subsidy support (such as occurred in NSW and SA in Round 1), either projects are likely to be skewed to the moderate income end of the affordable housing market or many not-for-profit providers will not be able to utilise the incentive for development. For these reasons it is too early to predict the impact that NRAS may have on the capacity of the not-for-profit sector to directly develop affordable housing. We consider how NRAS could be strengthened as a funding tool for not-for-profits in chapter 6.

Table 12: Impact of NRAS Round 1 allocations (2008) on growth of not-for-profit providers

Types of not-for-profit housing developers and growth providers	*No. of agencies receiving offers Round 1*	*Range of project sizes (dwelling nos.)*
Established developers	6	30–317
Emergent developers	5	26–242
Aspiring developers	3	26–50
Growth partners	data not available	
Traditional agencies	7	16–120

Note: Data do not include Queensland Affordable Housing Consortium details

Source: FaHCSIA data classified by authors

4.2 Analysis of business models and project performance

4.2.1 Business Models

As the affordable housing development sector has matured, a range of different business models has emerged. Each of these business models combines key levers to drive a development business. The emergence of these different models has been heavily underpinned by policy choices and constraints in each jurisdiction as set out in chapter 3.

Table 13 compares the core features of the business models of the leading providers. While each of the models reflects the historical development of the particular provider, comparing their operation and outcomes offers useful lessons for developing a generic approach.

First, it is interesting to compare the trajectories of the first two business models listed in the table, which are both government-sponsored housing companies. One, City West Housing (CWH), was the subject of detailed financial analysis in the previous review of this industry (Milligan et al. 2004). The review found that CWH was producing properties very efficiently in terms of costs per dwelling. However, CWH has not borrowed yet – its development projects are internally funded from cash flow, which is driven by developer contributions, initial government capitalisation and rental surpluses. This model has resulted in comparatively slow growth, although adoption of a mixed income client group from the outset has helped to generate growing surpluses for reinvestment. Such a model has played an important role in an historical sense in providing an exemplar for affordable housing and showing that not-for-profit development is not only feasible but produces excellent design and client outcomes (see below). However, given the levels of need demonstrated in chapter 2, it suffers in comparison to more recent and more aggressive procurement models.

Brisbane Housing Company (BHC) was just ramping up at the time of the previous study. It is also a government-capitalised agency (see box 1). However, it has been able to extend its dwelling targets by firstly, attracting additional funds from government as a result of the positive outcomes of its early developments and secondly, borrowing funds for its recent projects. It has also established a for-profit development arm which it will use to cross subsidise affordable housing projects/ dwellings. It has an ambitious target of having a portfolio of 1020 dwellings by 2010 and is already the largest developer in the sector, having built or purchased 596 new dwellings since foundation in 2002[47]. This strong growth has enabled the company to maintain a large team of project development staff who have built their expertise as the company has expanded. Unlike CWH, BHC does not have the benefit of significant rental surpluses as it is required by government to limit allocations to clients eligible for public housing.

The second interesting comparison that can be made from table 13 is between the fixed debt equity models for designated providers (the Victorian model) and competitive debt equity models. The competitive debt equity model can sometimes generate greater leverage for the government contribution than the fixed debt equity models, through the use of free equity in the deals. However, it also suffers from a number of disadvantages:

- Risk that responses are opportunity based not needs based;
- Scale and certainty for growth providers is not optimal;
- High transaction costs for providers and government; and
- Yield reduces as any free equity is exhausted.

The second point is probably the most significant. Development skills are acquired through scale and repeat development projects. Competitive models where future development pipelines are uncertain will not enable providers to assemble the sort of project team that is needed to undertake cost-effective development. The other issue

[47] While CEHL owns more properties these were purchased (not developed) in the 1980s.

with competitive models is that the compliance costs for all the providers who enter the competition can be quite high and erode the efficiency benefits of the not-for-profit procurement model.

The self-funding model in the ACT is interesting in that it operates within a whole-of-government policy framework that provides certainty for providers and facilitates the application of two significant additional levers:

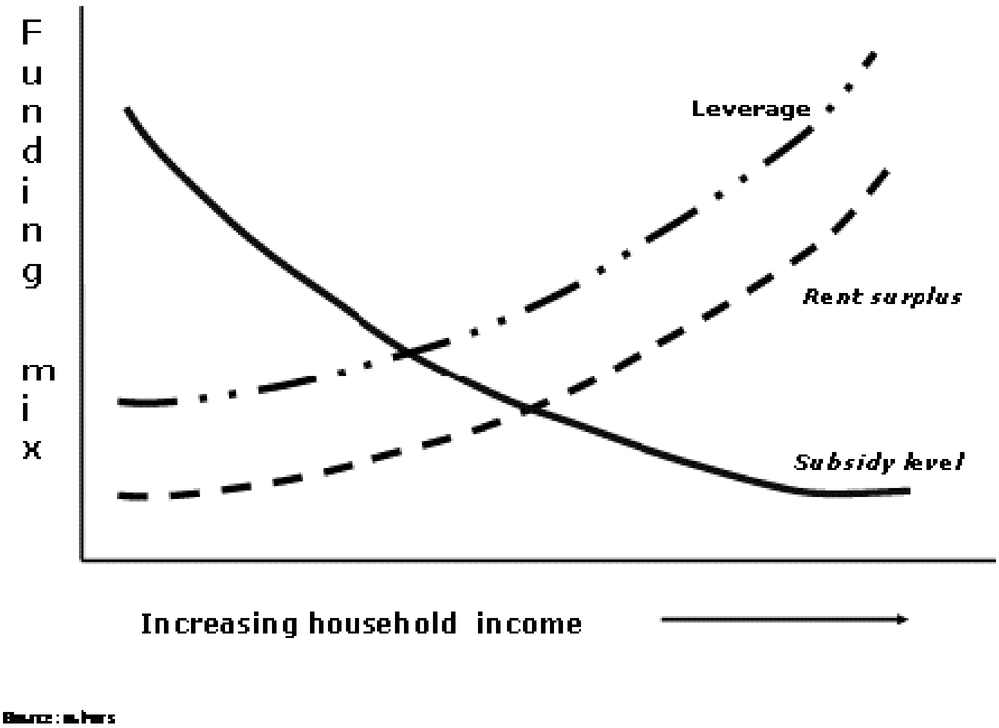
- Direct access to land at affordable prices through the ACT Land Development Agency; and
- Access to finance through a rolling credit facility. Finance is available at a discount to retail finance providers (as discussed in chapter 3).

However, it is too slow to get to scale. CHC has the lowest number of properties of any of the leading developers and does not reach low income households (Milligan and Phibbs 2005).

Combining the elements of several of these models could offer a sustainable generic model for the future. Key elements of an optimal model that are suggested include: sufficient government capital and development sites to achieve a sizeable annual development program for a reasonable number of individual providers; a framework for offering planning incentives in a variety of market contexts; and income mix to generate surpluses for reinvestment in additional supply and/or to enable developments with higher gearing. To optimise access for low income households in higher cost locations, additional operating or tenant subsidies could be incorporated in the model.

Figure 2 gives an illustrative (not to scale) view of the relationship between revenue, subsidy and leverage that can be achieved across a range of household income levels.

Figure 2: Schematic funding mix for affordable housing



Source: authors

Table 13: Comparison of core features of business models of leading providers

Type	*Description /drivers*	*Example*	*Advantages*	*Risk/ threats*	*Accompanying levers*
Government capitalisation, fixed yield	Capital funding model zero borrowing. Program driven. Mixed income policy. High density renewal area (value uplift).	CWH (NSW)	Low risk. Revenue surpluses from mixed income target.	Low yield. Innovation stymied by program basis of model.	Developer levy matching government funding.
Government capitalisation, open yield	Capital for 'start-up' plus ongoing funding for projects raised increasingly within business. Using wholesale finance. Balance sheet and returns drive rate of growth.	BHC (Queensland)	Builds capacity, scale and balance sheet. Incentives for growth.	Declining government incentives to drive behaviour over time. Insufficient future government capital threatens long term outcomes for low incomes.	Some small planning concessions.
Fixed debt equity for designated providers	Part government capital assured. Government fixes minimum leverage target e.g. 25 per cent.	Victorian housing associations.	Guaranteed level of government investment. Planning of future development projects is assisted by certainty of government requirements.	Leverage target set will affect viability and capacity to house low incomes.	Project based only.
Competitive debt equity models	Competition for government grant. Optimal leverage for outcomes required. Free equity increases	AHIF (SA)	Optimal value for money for government. Competition leads to uncertainty for organisation's growth path.	Risk that responses are opportunity based not needs based. Scale and certainty for growth providers not optimal.	Direct access to land at affordable price.

Type	Description /drivers	Example	Advantages	Risk/ threats	Accompanying levers
	yield compared to Victorian model.			Yield reduces as free equity exhausted.	
Self funding model	Minimal direct government subsidy. Cross subsidy and market profits drive outcomes for low incomes.	CHC (ACT)	Maximum independence from risks associated with government control.	Low incomes hard to house affordably. Uncertain growth. Higher risk.	Land supply model in ACT. Direct access to land at affordable price. Rolling credit facility available to providers-lower cost debt finance.
Recurrent subsidy for new supply	Market provides housing, government meets cost differences between tenant capacity to pay and market rent.	TAHL (Tasmania)	Higher short term yield. May have a place with other levers (such as NRAS) to support low income access when government capital not available.	No long term supply outcomes. Expensive model long term. No not-for-profit cost efficiencies secured.	

Source: The authors, based on interviews, document analysis

4.2.2 Affordable housing projects of leading developers

The previous AHURI study (Milligan et al. 2004) undertook a detailed review of the financial performance of City West Housing (CWH). It highlighted the efficient performance of CWH in developing high-quality affordable housing projects. Two subsequent evaluations have confirmed this positive view of the performance of two established developers. The first evaluation examined the performance of the Brisbane Housing Company (BHC) and was completed by consultants KPMG in 2005. It concluded that:

'BHC has proven that they can develop and operate affordable housing stock cost-effectively and achieve agreed social objectives. As such, the BHC model does enable the government to achieve growth in affordable housing in Queensland and potentially more efficiently than through other models currently available to the government'. (KPMG 2005, p4)

The second evaluation entailed a detailed review of a single project by Community Housing Canberra that utilised the business model described in table 13 (Milligan and Phibbs 2005). In relation to the financial outcomes of this project, a small mixed tenure residential development in the Canberra suburb of Gungahlin, the evaluation concluded that:

'The financial outcomes of the project are particularly strong, yielding a healthy cash surplus and expanding the (unencumbered) asset base of the Company by four residential units. Even without the four apartments retained, the development generated an Internal Rate of Return of about 18 per cent. This result would be considered a reasonable return in the for-profit development industry. When the value of the four apartments is added in, the returns for the Company become even more positive'. (Milligan and Phibbs 2005, p7)

Another, as yet unpublished study, commissioned by the Victorian housing associations peak body, has used a standard cost benefit analysis to assess the potential welfare benefits of expanding the associations in that state. It generated a highly positive result (a benefit cost ratio of 2.35) for growing the sector to 40,000 units under management over eight years (SGS Economics and Planning 2008).

A different kind of indicator of the quality of the outputs of not-for-profit developers is the awards they have received. At least four of nine developers whose projects were examined have received awards from the Planning Institute of Australia, the Royal Australian Institute of Architects, the Urban Development Institute of Australia, the Housing Industry Association and the Master Builders Association (see Appendix 4). Photos of these and other developments can be found on the websites of providers (see web addresses given in Appendix 3).

In order to examine in more detail for this study the nature and quality of projects undertaken by the established developers, the web sites of the leading developers were examined (method discussed in section 1. 4)[48].

The resultant data base covers 95 projects delivered by nine providers (dating back to the first CWH project in 1994). For 88 projects where dwelling number and bedroom configuration details were given, the average number of dwellings per project was 27 dwellings, generating a total yield of 2,343 dwellings. Developers favoured one bedroom, studio and boarding house configurations over larger two and three bedroom dwellings: 62 per cent of all separate dwellings were studios or one

[48] The database is available from the authors on request. Sufficient details were not provided on the web sites of Housing Choices Australia, Loddon Mallee Housing Services and Foundation Housing to include a catalogue of their projects but good information was available for the other providers.

bedroom. This reflects the widespread need for housing for low income single people and is one key factor that distinguishes not-for-profit developers from market developers. Another distinctive feature was the large share of developments aimed at target groups with particular design needs (e.g. elderly people, people with a disability). Again, this highlights the potentially specialised contribution that this sector can make.

The dwelling analysis also revealed significant variety between and within providers. Table 14 shows the average number of dwellings per project for eight developers. One of the explanations for the variety of project sizes is market area. Another factor may be experience – better established organisations taking on larger more complex projects with private financial support. For example, Community Housing Ltd focuses on smaller developments (which they often build themselves), many of which are located in non-metropolitan areas, while CWH and BHC are focusing on larger multi-unit projects, suited to their inner-city market locations. BHC is increasingly going into larger mixed tenure and mixed use projects.

Table 14: Average number of dwellings per project, eight leading developers

Provider	***Total projects (on web site)***	***Average no. dwellings per project***
Port Phillip Housing Ltd	21[1]	26
Brisbane Housing Company Ltd	19	35
City West Housing Ltd	15	37
Melbourne Affordable Housing Ltd	12	19
Community Housing Ltd	9	9
Yarra Community Housing Ltd	6	13
Common Equity Housing Ltd	5	16
Community Housing Canberra Ltd	5[2]	31

[1]Includes projects developed by City of Port Phillip since 1986, transferred to PPHA

[2] Includes projects developed for other organisations

Source: Web survey by authors (may not include all developers' projects)

In order to examine the character of recent projects in more detail, three projects by two established developers, BHC and Yarra Community Housing, were reviewed for this study. The projects chosen for each of the developers were of different scale – the BHC projects were medium to large projects whilst the Yarra Community Housing project was a small local project.

4.2.3 Project performance analysis – Brisbane Housing Company and Yarra Community Housing

This section examines case studies from two providers who have experienced major growth since 2004, Brisbane Housing Company and Yarra Community Housing, looking in more detail at their design and financial performance.

Brisbane Housing Company

Two BHC projects were examined, one each at Danby Lane in Nundah and Earnshaw Road in Nudgee. Both are located in inner Brisbane suburbs. These projects are presented in boxes 4 and 5, respectively.

Box 4: Danby Lane, Nundah

Description of the project

This project was the sixteenth development project for the Brisbane Housing Company (see figure 3). The site was a Brisbane City Council depot site that was no longer required. It was purchased from the Council for $900,000. The total site area was 2256m^2, with a Floor Space Ratio (FSR) of 2. Brisbane City Council undertook decontamination of the site.

The FSR and the planning controls meant that a ten-storey building on the site was possible. The initial plan of the BHC was for a four-storey building, but the project manager considered that this would underuse the site. The final decision was to increase the density from the original four stories, but not to max out the site. The final floor area was 3787m^2 (out of an allowable 4512m^2).The final unit yield was 12 studios, 41 one bedroom (see figure 4), 10 two bedroom and four three bedroom. Construction was completed in March 2007.

Design Issues

The development was broken into two different segments (Building A and Building B). Building A contains a combination of two and three unit accommodation. Building B is a different structure and accommodates the entire studio and one bed units. Building B has three separate staircases entering each building, like a 'row house' configuration, so only three tenants use each set of stairs. This configuration aimed to ensure that the building had the best outcomes socially and for liveability.

The site was east/west facing, with a railway line on the eastern aspect. The building therefore required additional sound attenuation on the east to compensate for the railway line and measures to mitigate the fact that the building was facing west. Sound attenuation was achieved through the use of public walkways facing the railway and constructing the bathrooms (non liveable space) facing the railway. To ensure natural ventilation the eastern side public walkways were open rather than enclosed, and all units are open to the open walkway on one side and have wide doorways with overhead louvers on the other side. Cross ventilation has been ensured within each unit. Balconies facing the west are all of a sufficient depth to minimize the impact of the westerly sun and heat. Because the site was not maximized in terms of Gross Floor Area (GFA), there were no height restrictions. Design capitalized on this and the top storey units (often the hottest units in a development) have 3.5m ceilings to assist further with ventilation.

The firm of architects chosen for this development was Mode Design. BHC says it used 'cutting-edge', highly respected architects for all of its developments. It finds that these architects keep abreast of what the market wants, the latest technology and the latest external treatments.

'Their understanding of the commercial aspect of building design means that the architects can assist us to critique the resultant design and ensure that the building looks like other quality buildings in the commercial space' (BHC staff member).

Financials

This development was funded from internal funds. The average development cost per unit (excluding land) was substantially lower than industry averages, but this was mainly because of the small average floor area per unit (57 m^2). However, the development cost per square metre of Gross Built Area (GBA) (excluding land) is in line with industry averages (less than $2,300). The final development costs, including land, are cheaper than industry averages because of the low land costs per unit ($13,400) (Rawlinsons 2008).

Part of the reason the costs are low is because BHC is able to use consultants who have had previous experience and a track record with BHC. This enabled BHC to negotiate a better price on consultant's fees. Having consistency of consultants across developments can generate business efficiencies for both parties.

Figure 3: Danby Lane, Nundah

Source: Brisbane Housing Company

Figure 4: One bedroom apartment, Danby Lane, Nundah

Source: Brisbane Housing Company

Box 5: Earnshaw Road, Nudgee

Description of the project

This site was a previous Department of Education site with a large area of 6,142 square metres. The project was conceived as a mixed tenure development of 43 affordable housing units and 41 land packages for market sale (figure 5). BHC established a subsidiary-for-profit company (BHC Nudgee Ltd) to quarantine risk. It was one of their first developments to include a for-profit element and also included townhouses which was new for the company. Townhouse design was feasible because of the size of the site and this built form was considered to be more in keeping with the detached housing that would be built in the for-profit subdivision. The site presented additional planning issues, including the presence of a heritage-listed building and environmental protection orders over some of the vegetation.

Numerous community issues also arose in relation to development of the site. A community action group was formed to oppose certain aspects of the development. The local State member of parliament did not support BHC, so there were numerous community consultations and public meetings planned to give local members and the community an opportunity to fully understand the proposed development, the company behind the development, and the potential tenant group.

Dissemination of information about the proposed development was not undertaken optimally. Information was given to the community too early, and this caused unfounded concern regarding the notion of 'affordable housing tenants'. The community had misconceptions about the tenant target group.

Community consultation elicited information that directly contradicted the Council consultation; it was difficult to meet the expectations of all stakeholders. This is an endemic issue for affordable housing developers. The evidence suggests that agencies get better at dealing with project-level issues over time and that they also play an important part in changing community attitudes (overseas housing associations' personnel, pers. comm. Netherlands, United States).

Design Issues

Because the development was not located within close proximity of high-frequency public transport routes, the decision was made to adopt a one car park per unit position (this was a departure from BHC assessment of car parking requirements from client surveys).

The development had a childcare centre located at one boundary. It was decided to locate the three bedroom town houses near this boundary, as the residents of these units were more likely to be utilising the childcare facilities. In this instance, the unit mix and the unique features of this site assisted in determining the layout.

In terms of design, consistency of form was used where possible (to achieve economies in terms of construction). However, variety in façade was used to great effect. For example, the same building template utilised a metal finish or a batten finish or a no-batten finish. Variety was the key to the visual impact and attractiveness of the building. Whilst the fabrics were consistent, the manner in which they were used created diversity and visual appeal.

The affordable housing unit yield comprised 20 one bedroom units, 17 two bedroom townhouses and six three bedroom townhouses (figure 6).

Financials

The land costs per unit were less than industry standards. The development costs (excluding land) for the affordable housing units were less than $2,100 per sq. metre of gross built area and the building costs were less than $1,900 per sq. metre. The land packages, which were geared to the affordable end of the market, sold out within three weeks of going to market in early 2009. BHC had similar success in another mixed tenure development (Richlands) at about the same time.

Figure 5: Earnshaw Haven Development, Nudgee

Source: Brisbane Housing Company

Figure 6: Townhouse interior, Earnshaw Haven Development, Nudgee

Source: Brisbane Housing Company

Yarra Community Housing

The Yarra Community Housing (YHC) project examined was located in Park Place, Fitzroy North, in inner Melbourne (see Box 6).

Figure 7: Park Place, Fitzroy North, rear view and street frontage

Source: Yarra Community Housing

Box 6: Park Place, Fitzroy North

Description of the project

This project was the eighth development initiated by YCH. The site was acquired by YCH in November 2001 and funding from the Office of Housing was secured in February 2002. Community consultation meetings began in April 2002 but the planning permit for the site was not obtained until May 2003. These timelines highlight the slow planning approval process. Construction began in August 2003 and was completed in August 2004.

The site yielded 24 units including 21 units for singles and three units for couples. Three units are disability-modified (figure 7).

Design

The design was oriented to maximise the number of north-facing windows. To keep costs for tenants down, gas-fired hydronic heating was used, with cross flow ventilation with ceiling fans. Because of the nature of the client group (e.g. young homeless), all utilities were provided by YCH with the exception of private telephone services. There is an in-ground tank for water use.

Financials

YCH borrowed to fund the purchase of market land and the construction costs were funded by a grant.

The average development cost per unit (excluding land) was substantially lower than industry averages, but this was mainly because of the small average floor area per unit (Rawlinsons 2004). However, the development costs per sq metre of GFA (including land) are in line with industry averages. The final development costs, including land, are about the same as industry averages because of the high land costs per unit. This highlights the cost of open-market land procurement.

4.2.4 Comparing dwellings provided by not-for-profit developers and private sector development

The review of specific projects, the web catalogue and the experience of the authors indicates that there are significant differences between dwellings designed by the for-profit and not-for-profit sectors.

These differences are not surprising, given the different strategies and motivations of the two parties. The for-profit sector is developing a project to build and sell; whilst the not-for-profit sector strategy is to build and retain. The motivation of the for-profit procurer is to maximise its profits whilst the not-for-profit procurer is attempting to maximise the supply of appropriate dwellings for long term tenancies, for tenants with income constraints.

Different outcomes are evident in a number of areas:

- **Using the floor space ratio.** In contrast to what a for-profit developer may have done[49], in both case studies BHC did not fully utilise the FSR available on its two sites. BHC was able to do this because it is not motivated by a desire to maximise its profits, rather it is focussed on the community outcomes of its developments and has flexibility to use a site in a way that provides good outcomes for long term tenants.
- **Dwelling mix.** For-profit developers' dwellings contain more bedrooms, reflecting the preference amongst investors and first home purchasers for

[49] For-profit developers usually argue to increase the FSR

larger dwellings (and because a for-profit developer will usually make a greater profit on a two-bedroom dwelling than on a one bedroom dwelling).

- **Dwelling sizes.** Not-for-profit developers design smaller dwellings (for each bedroom category). They do this by using smart design. Moreover, the different needs and expectations of their tenants (compared to the for-profit client) allow them to construct smaller dwellings.
- **Designing for long term management.** The not-for-profit developers do not walk away from any design limitations, they have to manage them for the time they hold the property. For this reason, not-for-profit providers think harder about issues like sound attenuation between properties.
- **Running costs.** Not-for-profit providers focus on environmental issues and life-cycle management of properties. They are interested in reducing the running costs of their buildings, particularly in public areas, because they have to manage the running costs of the building during its lifetime. For this reason they act a lot more like procurers of commercial buildings, than like traditional residential developers. They are also interested in reducing the utility charges for their tenants for both social reasons and for the positive impact these reductions can have on the incidence of rent arrears.
- **Designing for a particular client group.** In comparison with the for-profit sector, which designs its general residential accommodation product for a variety of need groups, the web catalogue of development projects indicates that a significant number of the projects are designed for particular target groups (e.g. people with a disability), resulting in some very specific design features in properties.
- **A greater awareness of universal design.** In general, the not-for-profit sector would seem to have a greater awareness of the goal to use universal design. This awareness probably derives from their social mission and is linked to their client groups and the incidence of long term tenancies.

4.2.5 Guiding principles for financing supply

The review of business models, our discussions with providers (see section 4.4) and our detailed case studies suggest a number of important principles that need to be considered by policy-makers and by providers entering the development space. These are:

1 A need for clarity of social purpose to underpin the financing/business model.

The motivation for the development choices need to be the social purpose and not the total development yields, profits or leverage. For example, social purposes might include balancing access for low incomes with social mix outcomes and addressing intermediate need.

2 Access to sites is critical for good locational outcomes and efficiency.

Like any developer, the not-for-profit developer requires ready access to sites. As well the location of sites will be an important determinant of outcomes for tenants, such as their access to employment, transport and services. Indeed the locational requirements for not-for-profit developers are likely to be more specific than for private developers in general. Governments can facilitate this by providing access to its own surplus sites and/or through applying planning mechanisms. The application of planning mechanisms may mean that the use of state (rather than local) government approval processes will be required. However, providers cautioned against these being mandatory because this would single out affordable housing projects and could provoke 'Nimbyism' elements that are present in many areas. Instead, having the capacity to call in a project as a safeguard was preferred.

3 Procurement using not-for-profit development should be encouraged.

Not only is not-for-profit development cost-effective, it also enables a product to be generated which is substantially different from the low cost 'for-profit' product (see the discussion above). Good design generates preferred outcomes for tenants in terms of amenity and running costs (see section 4.5) as well as reducing management and maintenance costs for providers. Exceptions to giving preference to purpose designed affordable housing would be appropriate under market conditions where acquisition of existing appropriately designed stock is cost comparable.

4 Channelling funding to growth providers will be more efficient than project-by-project packaging or open competition.

The excellent outcomes that have been generated in Victoria clearly reflect the advantages of choosing some growth providers and channeling dedicated funding to them. This enables these organisations to acquire expertise and generate practical development experience. It also enables the providers to develop expertise in particular sorts of development – every project is not different. Thirdly, it facilities planning for future activities and allows providers to establish a development pipeline. When a provider has a regular source of funding (and, consequently, a pipeline), funds can be re-allocated to alternative projects if delays occur. This reduces costs and ensures timely output.

5 Flexibility for providers is important.

Providers must be able to respond to changing market and development conditions without the need to have protracted negotiations with government funders. It is better for the regulator to regulate the provider rather than every detail of every project.

6 Utilising and blending all the levers.

Examples from around the country show that there is a range of useful levers for providers, in addition to funding mechanisms. These include greater planning certainty, guaranteed access to housing sites, and access to a government rolling credit facility.

Difficulties in gaining planning approval were a major issue for even the most experienced providers. If planning laws were changed to reduce planning risks there would be significant benefits. If governments could also guarantee access to good housing sites, as discussed above, another major risk for the providers would be removed. Given the different experiences of providers gaining access to private finance, access to a government rolling credit facility (as in the ACT) could also be a benefit. In the longer run this strategy can also help to build a revolving fund for future investment (as the Swiss case discussed in chapter 5 demonstrates).

4.3 Operating environment: corporate governance and capacity building

The last area of activity that can influence the performance of an affordable housing market, which we identified in chapter 2 (see figure 1), concerns how the operating environment supports actors and agencies to meet public policy and organisational goals. In this context, the twin concepts of *capacity* and *capacity building* have been referred to extensively in Australia recently. Capacity is seen as a prerequisite for growth of not-for-profit housing providers, and capacity building as a means to achieve this. Efforts to assess and boost capacity of not-for-profit housing developers have been apparent in several key areas since 2004. The 2005 Framework for National Action on Affordable Housing included a commitment to develop a national plan to boost capacity in the not-for-profit sector but progress against this commitment has not been released publicly. However, a group of senior national and state housing officials met regularly on this issue between 2005 and 2008 and were advised from time to time by an expert panel, which included two members of the research team for this study.

Before discussing our observations about capacity developments and issues identified through this study, we consider briefly what is meant by capacity. Following Gilmour (2009), we define capacity as the capability of affordable housing providers to meet the goals set for them by government (through policy, funding and regulation) and by their own agency through their mission, constitution, governance, strategic directions and networking.

Gilmour (2009) has researched conceptual developments related to understanding capacity in the not-for-profit sector and applied some of these to an investigation of how capacity operates in the housing field, using a case study methodology in three city regions: San Francisco Bay Area, California; Melbourne, Victoria and Manchester, England[50]. He finds that discourse around what is capacity is very loose and often makes normative assumptions, concerning what should be rather than establishing what is. He also finds that capacity is viewed differently in these three regions, with organisational capacity issues being of greatest concern, particularly among public officials, in the Australian case. This viewpoint is likely to reflect, at least partly, the less advanced stage of development of Australian housing not-for-profits, particularly their lack of experience with managing more complex processes of housing financing and procurement.

To clarify the concept of capacity, Gilmour draws on previous research to propose up to five attributes of not-for-profit organisations that he suggests might be used to understand and assess capacity in the housing field. These involve:

- Political capacity, such as community participation, political leverage and linkages;
- Organisational capacity, such as leadership, staff and board skills, planning, and project management;
- Resource capacity, such as raising external finance and managing internal cash flows;
- Programmatic capacity, such as housing and property skills, community linkages; and
- Networking capacity, such as partnerships, networking events and shared services. (Concepts developed by Glickman and Servon 1998; application by Gilmour 2009.)

[50] Gilmour (2009) studied three of the leading developers and their operating environment in Victoria for his doctoral research project. His study provides complementary information specifically related to organisational and network capacity exhibited in that jurisdiction.

In this study, we did not set out to examine all of those possible aspects of capacity of not-for-profit housing enterprises explicitly, although we have commented on several throughout the report. In this section, we confine our considerations to a selective focus on aspects of organisational and network capacities that were identified during the research. First, we consider organisational governance issues, as this was a specific research question. Second, we provide a brief review of sector based capacity building activities in the last few years and the ways that these are being oriented and organised.

4.3.1 Governance structures for delivery models

Good corporate governance concerns the steering and control of organisations and is crucial to effective not-for-profit affordable housing developers. Corporate governance is defined by the Australian Stock Exchange's (ASX) Corporate Governance Council as:

'the system by which companies are directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimised' (ASX Corporate Governance Council 2003, p3).

Core aspects of governance include corporate structures, the skills and capacity of directors and senior management and relationships between Boards and CEOs. Good governance is underpinned by predictability, transparency, accountability and participation (Nicholson 2007). This section examines some key governance trends and issues identified through the study.

Types of governance

The previous report identified two core approaches to establishing not-for-profit affordable housing delivery models. One was government-initiated special purpose housing agencies, which tended to be companies limited by shares, held by government and community stakeholders. The second approach was for growth and re-structuring of existing community housing organisations, which were either companies limited by guarantee or incorporated associations (Milligan et al. 2004).

Three of the seven lead developer organisations in 2004 were initiated by state governments (in conjunction with local government in one case) and another two by local governments. However, government preference for that model appears to have declined: all additional lead providers identified in this study were pre-existing community housing organisations that were diversifying their functions. Additionally, three government-founded organisations - Community Housing Canberra, Melbourne Affordable Housing and Port Phillip Housing Association – have been restructured to give them greater independence over their business direction and operations. The other groups of emergent and aspiring developers are also mostly established community based organisations. This trend suggests that governments may have greater confidence in the expansion and diversification of existing community housing organisations than was evident previously[51]. In part, this is a consequence of having more developed regulatory frameworks. It may also reflect a growing recognition of the ongoing costs and risks for government as shareholders of arms length companies and of the constraints on innovation that government shareholdings place on the companies.

A variety of other changes in governance and organisational structures were identified during our research. These reveal a dynamic organisational environment surrounding

[51] Support for the growth of well performed established community housing organisations is also in line with the view taken in the 2004 study that there were no significant differences in organisational performance apparent between the two models (Milligan et al. 2004).

the expansion of affordable housing in the not-for-profit sector at present. A number of respondents indicated that they were engaged in negotiations about possible mergers and there was a general view among stakeholders that restructuring was likely to continue at a pace for some time, as providers sought to improve their economies of scale, harness capacity (such as development expertise) and accelerate growth. Specialised research will be necessary to understand the impact that these changes have on the capacity, performance and accountability of the sector over time.

The types of changes in governance arrangements identified among the leading, emergent and aspiring developers included a variety of corporate structures, re-alignments within organisations and new relationships between organisations. A summary of the key developments follows.

Legal entities such as housing associations and housing cooperatives are being replaced with companies (under the Corporations Act) to meet regulator requirements for growth status (see chapter 3), to enhance governance as business expands and becomes more complex and risky, and to establish legal power to operate across state boundaries[52]. For example, two organisations in NSW changed their legal status from cooperative to company, as part of their bid to be designated growth providers in NSW. In Victoria, Port Phillip Housing Association became a company in preparation for taking on a housing development function and ownership of dwellings previously controlled by the City of Port Phillip.

New company structures are also being created as a result of amalgamations of existing community housing providers being initiated in order to achieve scale and improve viability. Examples of mergers of two or more existing community housing providers include Foundation Housing in WA in the leading group; and providers in other groups such as Unity Housing Company in SA, Affordable Community Housing and Bridge Housing in NSW, Gold Coast Community Housing Company, BRIC Housing and Four Walls in Queensland.

Name changes to existing providers have been adopted (including where the corporate structures remain unchanged) to reflect a more diversified business and/or broadening geographic area of operation. For example, NewMacQ Community Housing Ltd and South West Inner Sydney Housing Cooperative became Compass Housing Services Co Ltd and Bridge Housing Ltd respectively, as part of their strategy to position themselves as growth providers.

Subsidiary, joint venture and related arms length companies have been established as special purpose vehicles to protect the charitable status of the parent company, to widen the scope of activity for government-initiated companies and to quarantine the risks associated with complex or large scale property development and those involving partnerships with the private sector. An example is the establishment by Brisbane Housing Company of a development services company as well as company structures for specific projects with a commercial component.

In Victoria in particular, trust structures have been introduced to provide additional surety for the long term dedication and use of affordable housing assets that have been obtained with funding from state and local governments or partner organisations, such as churches. These include the Disability Housing Trust (within the Housing Choices Australia Group), the Ecumenical Housing Trust and the Inner City Social Housing Trust (managed by Melbourne Affordable Housing) and the Port Phillip Housing Trust (managed by Port Phillip Housing Association). Typically, these trusts are managed by the same Boards that have responsibility for delivery of housing, but

[52] Alternative forms of incorporation to a company in Australia are state based and regulated.

acting in the capacity of trustees. Specific controls over funds or assets within the trust can be enshrined in their trust deeds because they are separate legal entities. For example, the City of Port Philip adopted a trust structure to ensure that their past and ongoing investment in affordable housing for the residents of Port Philip will continue to be used in that area in perpetuity, while the separately incorporated operating agency Port Phillip Housing Association Ltd that manages the Trust can also grow by expanding its operation into other areas (Spivak, pers. comm., 2008).

Subsidiaries of large generalist and church based organisations are being established specifically to grow housing functions and to satisfy regulatory requirements. For example, Mission Australia has established two subsidiary companies, Mission Australia Housing NSW and Mission Australia Housing Victoria, which will be specialised housing services. It is also planning to establish similar companies in other jurisdictions that can comply with local requirements (Morgan-Thomas, pers. comm. October 2008). Similarly, a Churches of Christ aged care provider, Bethany, established a housing company to meet regulatory requirements and to allow it to attract government funding for affordable housing in Western Australia.

Some group structure models, such as Blue CHP in NSW, and Housing Choices Australia in Victoria, have been established by existing community housing providers collaborating to create economies of scale and build capacity by sharing complementary skills and resources.

Partnering has also occurred between not-for-profits and for-profits in a variety of forms. The most prominent of these partnerships is Bonnyrigg Partnerships, which is a place based consortium of three for-profit agencies concerned with development, financing and facilities management respectively, and a not-for-profit tenancy services manager (St George Community Housing Company). The partnership bid successfully in 2007 to renew, redevelop and manage the Bonnyrigg public housing estate in Western Sydney for 30 years (Milligan and Randolph 2009). Partnerships of various sorts have expanded significantly under recent state and national initiatives. The emerging partnership models and their contractual forms will be an important area for future research as these inter-sectoral relationships develop and mature.

Director Skills

A factor behind the apparent preference for government-created housing companies noted in the 2004 report was government's desire to ensure that organisation directors have an appropriate level and mix of skills for the nature of their businesses. As many existing community housing organisations are member based, with a representative board, a prevailing concern has been whether directors of those organisations have the technical skills to guide and control property, financing and development functions.

Although we do not have benchmark data, our discussions with agencies indicate that there has been a growing trend to appoint directors on an expertise rather than representative basis among the lead agencies and particularly, that increased emphasis has been given to appointing directors with business, property, financial and legal skills. This assessment is borne out by our analysis of the main qualifications and experience of Board Directors of the lead agencies in 2007/08, as disclosed in their latest annual reports or on agency web sites.

In most cases, the skills set required for the board is either defined constitutionally or set down in strategic documents. A minority of the lead agencies still operate a representative board elected by members but use tools such as head hunting and guidance to members to promote their preferred skill sets. The eleven lead providers have boards of between seven and eleven directors each. Table 15 sets out the range of skills across these boards; underlying data show each agency examined has a good mix of skills, straddling social and commercial disciplines. Qualifications in business management and social welfare are the two most widely covered areas but legal, financial management and property related skills are also widely represented, commensurate with the changing nature of the business of these organisations. All boards had specialised financial and/or business directors, all but two included one or more directors with property related skills and all but four included lawyers. Agencies reported no difficulty in attracting directors and several CEOs drew attention to the calibre and high public profile of directors they had attracted (for example, partners in leading law firms, major company directors and bank senior executives). Most boards remain voluntary, with a significant minority offering modest remuneration. There was no apparent relationship between whether directors receive remuneration or not and board profile.

Table 15: Primary area of expertise of Board Directors, in eleven lead housing providers, Australia 2007/08

Area of Expertise	*No.*
Academic (housing related)	3
Business & management, including public administration	14
Financial management	7
Housing management, not-for-profit housing	8
Legal	9
Local government (elected officials or former elected officials)	3
Property development, building, real-estate, procurement, architecture & project management	18
Social welfare, public policy	20
Taxation	1
Tenants	7
Unknown, not classified	4
Total	95

Note: Directors were assigned to one skills group only based on an assessment of the weight of their experience and qualifications. However, the profiles of many directors suggested they had multiple skills.

Source: 2007/08 agency annual reports, supplemented by interviews

In addition to the specific knowledge and skills of individual directors, good governance of affordable housing developers requires leadership and team building within boards if one aim is to foster a social entrepreneurial ethos. Having such an ethos depends on melding social and market perspectives through effective working relationships and cross fertilization of ideas between board members with social policy backgrounds and those with a ‘market’ orientation. Much of the emphasis to date has been on attracting board members with individual professional expertise and ‘hard skills’ in areas such as property development and finance. Some organisations are beginning to recognise the importance for directors to also have generic governance experience, including knowledge of what constitutes good governance in not-for-profits and an understanding of their responsibilities as directors. In addition to property development, risk and financial management, attention to social policy, relationships with government and public policy processes (political capacity) are crucial, especially while organisations and the sector are at an embryonic stage of development. The role of boards and directors in direction setting, fiduciary oversight and the relationship between boards, chairpersons and CEOs, is also evolving as the sector grows. Limited resources and the pace of growth for some organisations have necessitated high levels of 'hands-on' involvement of boards, which highlights the need to manage carefully the governance/management interface.

Other governance issues

Two related issues that may require further consideration by organisations and regulators arise from our analysis of governance trends in the context of good governance practice that has been considered in this field (see for example, Gapp Consulting Services 2004, Georgiou 2004, NSWFHA 2003). The first concerns the role of tenants in governance of these larger housing agencies and the second concerns input from community stakeholders.

Traditionally, tenant participation has been a strong feature of community housing models but moves to more complex, larger and more geographically dispersed operations may militate against strong tenant participation. In our study, only four of the 11 lead agencies had tenants on their boards (either as designated positions or as part of the required skills set), although some other agencies had established tenant sub-committees to advise the board on policy matters. Tenants of agencies spoken to during in this study also reported limited engagement with, or knowledge of, their organisation's management and administration (see section 4.5.4). While there is, and should be, a healthy debate about the most appropriate ways to engage tenants and to promote their involvement in the management of their services, these findings suggest that there may be a need for more active support for tenant engagement during periods of intense organisational growth and change.

International research confirms the challenge of addressing resident empowerment where not-for-profits are growing rapidly and taking on more complex housing production and financing work, for example see Bratt (2006) on some of the US evidence. One example of a structured approach to maintaining engagement is the Community Land Trust (CLT) model. Under this model, it is a statutory requirement that boards comprise one-third tenants, one-third independents and one-third community stakeholders (John Davis, pers. comm. March 2008). In the UK, Gilmour (2008) reports that tenants serve as directors on virtually all housing organisation boards, and for ALMOs (Arms length Management Organisations contracted by local governments to manage their housing) on average over half of the board members are tenants. Despite this record, there has been concern in the UK about the extent to which tenant interests are addressed across the diversified social housing system that operates there (see Cave 2007, Hills 2007). This has led to a new independent regulator, the Tenant Services Authority being established and taking over regulatory functions that were previously undertaken by public agencies. As implied by its name, the new authority is underpinned by the aims of increasing tenants' power and enhancing their protection in a sector where market mechanisms do not operate and accordingly, it will monitor the level of tenant satisfaction, tenant involvement and customer choice specifically, inter alia (Cave 2007).

Overall, tenant participation in not-for-profit housing organisations is an issue that has received limited policy attention in Australia so far and thus may warrant greater prominence in regulatory codes and performance standards. In the absence of guidance, individual organisations have been left to determine whether and how they involve tenants in governance, policy formulation or performance evaluation.

It may also be that the long tradition of housing organisations being anchored in a local community that can participate through membership, directorships and voluntary activity is being eroded by new organisational models such as national players and group structures. Very few of the larger providers have membership bases of more than a handful of people – in some cases only the directors themselves are members. In this regard, those government created companies which are required to have community based preference shareholders offer an innovative example through which local stakeholders can be assured of retaining input into a growing and diversifying organisation. However, it is common for shareholders in these companies to be organisations rather than individual community members, which raises questions about the extent to which the shareholders represent the local community or their organisational interests, as well as the potential for competing interests to emerge between the affordable housing company and their shareholders. Many alternative mechanisms to direct participation in corporate governance could also be developed, such as advisory structures, community briefings, a network of local offices, partnering with local agencies, tenant membership etc. (Gapp Consulting Services 2004). For example, the large and innovative provider Community Housing Limited, which operates under a group structure, is expanding its development function nationally, but it is also partnering with local community housing organisations interstate to deliver tenancy services.

4.3.2 Capacity building

Specific capacity building needs that have been considered important in Australia in the context of the emergence of not-for-profit housing developers are focused on the property, project, financial and risk management skills of agencies. The activities identified can be classified mainly as training initiatives, brokerage and the development of networks and partnering capacities. The examples of activity provided below are intended to be illustrative and are not comprehensive.

There is no dedicated vocational training for affordable housing developers in Australia. In an attempt to fill this gap and to rapidly build skills in the not-for-profit sector, the University of Sydney in 2006 initiated a professional development short course, 'Affordable Housing Concepts, Strategies and Models', directed to affordable housing developers. Seven customised versions of the course have since been run for various government and non-government clients by that University and, more recently, by the University of Western Sydney[53]. These have attracted over 170 participants from diverse government, not-for-profit and private sector agencies. These courses were not accredited and did not result in a formal qualification. Theywere run on a full cost-recovery basis. While Swinburne University of Technology in Victoria has run graduate programs in housing management for a number of years, the shift to more diversified not-for-profit affordable housing businesses suggests that a professional development program covering housing financing, development and asset management would be desirable to promote and support longer term development of the not-for-profit sector.

The first ever national affordable housing industry development conference in Australia was held in June 2005, hosted by the NSW Government. Attended by about 450 delegates from the housing industry, all spheres of government, not-for-profit housing organisations, peak housing agencies, the financial sector, national and international housing research centres and trade unions, the conference examined local and international models of affordable housing, with a focus on the not-for-profit sector. As discussed in chapter 1, a high level policy forum held immediately following the conference produced a blueprint for future policy setting for this industry (see Milligan 2005).

[53] The courses were designed by three of the authors of this report and delivered by them along with other contributors from the affordable housing network across Australia.

In an innovative move, in 2006 a Victorian housing association led the way in establishing a new member based professional network organisation to give voice to affordable housing providers nationally and to accelerate their growth through knowledge transfers and shared resourcing (Marchingo, pers. comm. November 2008). The resultant organisation, Power Housing Australia (www.powerhousingaustralia.com.au), currently has 22 members, including several but not all leading affordable housing providers. Its first conference, held in Adelaide in 2008, was attended by around 100 participants from across not-for-profits and the housing finance and development industries, who shared information on development models, financial tools, business systems and innovative projects. Several of those who attended commented during interviews for this research on the value of the conference, in the general absence of practical resources that are tailored to meet the needs of the sector. Power Housing is a national agency that operates alongside longer established state federations of community housing organisations and their national umbrella body, the Community Housing Federation of Australia. At present, the respective roles and likely influence of these older and newer networks are somewhat unclear. However, the differentiated functional structure of the not-for-profit sector, scale factors and projected levels of growth all suggest that a specialised agency supporting affordable housing developers could play a valuable role in a period of rapid growth and change.

In other capacity-boosting developments to the broader operating environment for developers, a number of providers reported receiving significant pro bono support from the private sector, particularly in the areas of legal services, financing and staff training. Development of affordable housing projects is also being assisted by the employment of specialised consultants in existing consultancy firms and the emergence of new specialist organisations such as Affordable Housing Solutions, a Victorian based service which operates partly on a fee-for-success basis[54]. Several state governments have also funded capacity building activities. For example, the Victorian Office of Housing helped to fund a study tour for Victorian based providers and policy-makers to the UK in 2007 and has also sponsored visits by several international experts.

The most recent capacity building initiative is the commitment in the 2008 Australian Government budget to $1.5 million over two years (2008/09–2009/10) for various support services to assist in the development of bids for NRAS allocations. Under this budget, partnership facilitators were funded to assist possible private and not-for-profit partners to come together to make bids for NRAS, round 1. Subsequently, the Community Housing Federation of Australia (CHFA) has been funded to consult with its members about its capacity needs and to establish and manage a *Capacity Building Strategy Clearinghouse*. The clearinghouse is intended to provide a range of resources and information related to governance, legal issues, management, development and other topics geared to increasing the capacity of businesses, organisations and partnerships engaged in NRAS, and the supply of affordable housing more broadly (Croce, pers. comm. Dec. 2008).

Beyond initiatives directed at providers, considerable attention has also been given to engaging a wider range of players in affordable housing, especially local government. In NSW, a consumer advocacy group, Shelter NSW, has convened and maintained an affordable housing network since 2004. Membership of this network is open to workers in non-government and government organisations, developers and managers of affordable housing, and researchers. The main purpose of the network is to share

[54] Note that all the leading developer organisations reported making use of specialist external consultants of some kind in their current development activities.

information about affordable housing initiatives and to provide opportunities for collaborative action by organisations involved in the network (www.shelternsw.org.au/ahn/ahn.html). Local government workers in NSW have been significant participants in this network, offering the potential for there to be much greater engagement by local government in local affordable housing strategies and projects in future. In Melbourne, inner urban councils have collaborated to develop a housing needs data base and local policy strategy for affordable housing. A website that provides data and indicators on housing affordability for the inner Melbourne region was launched in May 2008 (http://www.imrhai.com.au/). In SA, 12 metropolitan councils have convened a regular forum to consider how to address housing affordability and affordable housing issues locally and regionally. Also in this field, several state housing kits and a national kit, designed specifically to assist local governments to assess local needs for affordable housing and to develop appropriate responses, have been developed with government funding[55]. Training programs have accompanied introduction of these kits in some states.

While the above examples represent positive initiatives aimed at strengthening capacity, on the other side of the ledger, in 2006 governments defunded the National Community Housing Forum (NCHF) (http://www.nchf.org.au/), an inter-sectoral group that had provided a unique structure through which all spheres of government and the not-for-profit sector could work together to provide leadership on industry development. Since its establishment in 1996, NCHF was seen by several stakeholders and members to have played key roles in articulating a national vision for not-for-profit affordable housing and establishing early dialogue between policy-makers and affordable housing providers, and the private development and finance industries[56]. Practical tools like a risk management framework (Bisset and Milligan 2004) and a report on governance (Gapp Consulting Services 2004) were also developed by this group. Since the demise of NCHF, work on industry development has largely proceeded separately in the government and non-government sectors[57]. To maximise the effectiveness of any plans to support affordable housing providers, there is a strong case for having an all-party industry council to steer the next expansionary phase of the industry, as we discuss further in chapter 6.

Overall, efforts in capacity building so far have resulted mainly from the disparate actions of various government and non-government players, rather than through a coordinated capacity building strategy, often resulting in ad hoc responses to perceived needs and some duplication of effort. There has also been a high degree of reliance on government funding for sector development in Australia, in contrast to situations that Gilmour found in the UK and USA where private and self-funded initiatives were more significant (Gilmour 2009). A well planned and coordinated national strategy guided by an industry development council could improve this situation. The strategy could be designed to support not-for-profit providers in all of the realms outlined above (from organisational development to resourcing). However, because of the diversity of needs and opportunities across jurisdictions, such a strategy must ensure that there is sufficient flexibility to respond appropriately to local and regional differences.

---

[55] An example is the NSW Local Housing Kit to which three of the authors of this report contributed – see http://www.housing.nsw.gov.au/Centre+For+Affordable+Housing/NSW+Local+Government+Housing+Kit/

[56] Three members of the research team participated in and contributed to the work of the NCHF at various times.

[57] For example, work by public officials over three years on a capacity building plan for the not-for-profit sector referred to earlier has not been released to non-government stakeholders.

4.4 Experience reported by providers and stakeholders

The direct experience of providers and other actors that have been operating in the affordable housing business for some time provides valuable insight into how current policies and regulations are operating and requirements for achieving future growth. In this section we use the interviews and surveys conducted with major providers and other stakeholders to identify the strategic, operating and regulatory issues that they perceived were affecting growth and viability of the industry.

Issues covered range from getting started to procurement methods and challenges to the impact of government processes and policies on their business.

Getting started

Not-for-profit housing providers operate in a highly constrained financial environment and do not have the resources of private organisations to venture capital for new business. Several emerging and aspiring developers spoke of their frustration with not having appropriately skilled and experienced staff to enable them to commit to a plan for undertaking their own housing projects. However, they were also acutely aware that, given their meagre surpluses and very limited balance sheets, they did not have a sustainable path to growth. As well as their internal constraints, the small size of government programs and future uncertainty of these meant that there were not sufficient opportunities to justify moving into development. Having the opportunity to develop 100 to 150 dwellings a year was identified by several providers as a desirable target. Thus, not-for-profit developers need long term certainty of funding for a development program both to get a return on their investment in capacity building and to give them an ability to plan, for example, by acquiring sites.

Procurement methods and process

Procuring housing through being a not-for-profit developer or via market purchase presents very different risks and opportunities for providers. There was considerable debate among interviewees about which method was preferable. The leading developers have a strong preference for doing their own developments. While acknowledging planning and development risk, they consider that direct procurement has enabled them to achieve significant up-front cost savings and better design and tenant outcomes overall.

> 'In this business smart design and good management are the keys to success' (Interview, CEO leading developer).

Not surprisingly less experienced developers were comfortable with procuring from the market initially because they lacked experience and capacity in this area. Established developers liked to have flexibility too.

> 'At present (since the global financial crisis), developers are inundating us and purchases of approved dwellings can save planning and development risk' (Interview, CEO leading developer).

From a strategic perspective, several developers argued that market purchases generally do not address core supply needs.

> 'Spot purchase is madness …it means we compete with first home buyers and bid up prices while there is no new net addition to supply. Also, often we acquire eligible sitting tenants and so make no net gain' (Interview, CEO leading developer).

While there may be a place for both procurement means to cater to organisational appetites for risk and to respond to different market opportunities, many providers were highly critical of governments forcing them to make opportunity purchases, usually so that funding could be spent quickly. Providers want the flexibility to choose procurement options according to prevailing conditions.

In Victoria, some housing association developers were also critical of government requirements for them to compete for limited land and funding as this is time-consuming and costly, especially as total resources were so limited.

> 'We can do better buying in the market than competing with each other for the same site' (Interview, CEO leading developer).

This raises another critical issue identified by not-for-profits – that of how they access land. Until the recent economic downturn, they had little capacity to proactively obtain sites in the market both because of lack of funds within their control and the difficulty of competing with private developers. As we discussed in chapters 2 and 3, to overcome this problem planning policies and public land provision should be geared to ensuring effective access to land for affordable housing.

Challenges faced for recent projects

In our survey, organisations were asked to report on experiences from their latest two completed procurements, noting in particular any critical challenges and success factors. Of the 18 projects listed, 13 were new developments, while three were spot purchases and two were rooming-house redevelopments. The scale of projects ranged from two to 81 dwellings. Most new housing being procured consisted of studio, one bedroom or two bedroom apartments.

Across the organisations surveyed, the average time between commencement of project feasibility and completion of the project was 25 months (or just over two years). Individual time lapses ranged from one month in one case to an extended period of six years in another case. By far the two most significant challenges facing the surveyed organisations overall were obtaining relevant planning approval and obtaining a development or purchase site. Three different organisations identified planning approval (whether through a state government or local government agency) as a 'very difficult' challenge for at least one project. Managing project development and managing local community objections rated as 'somewhat significant' challenges. Several organisations faced specific issues in relation to a specific project, for example, struggling to establish a feasible project to meet certain policy objectives.

Critical success factors for recent projects

State government support rated highest on the list of success factors for new projects, with one-third of respondents naming it as 'one of the most critical factors' in either or both of their nominated recent projects, and a further one-third of organisations listing it as a 'significant factor'. Local government and local community support were significant factors for almost half of the organisations and 'somewhat important' factors for most of the others. Local community support was considered 'critical' to one project. Private developer support was generally not a factor, except in one project (of the 18 total projects nominated), where it was considered critical. Private lender support was considered 'critical' for at least two different individual projects. At least a third of the organisations saw the oversight of a skilled Board and external consultant assistance to be significant factors in the success of projects.

Project controls

One of the apparent advantages for government-capitalised companies, such as BHC and CWH, is that they have been allowed to make their own project level decisions so, for example, they 'can move nimbly to make attractive deals'. By contrast, several community housing organisations that have moved into development reported 'horrific micromanagement and control', which they have attributed to a lack of clarity in government agencies about risk allocation and a culture of control. They would welcome more focus on their performance as developers, through regulation, in return for less process controls and contractual obligations. As one provider said:

> 'Projects need to be less complex, have fewer partners and be less political.'

More generally, both not-for-profit organisations and their private sector partners indicated that government is difficult to partner with. One CEO of a leading not-for-profit developer put it this way:

> 'Banks are so much easier to deal with than government departments'.

Factors contributing to this situation were identified as a lack of awareness in government of commercial imperatives (and hence the cost of delayed decisions), a lack of professional people who understood the development business (especially in local government) and a lack of trust in the agency as partner.

Another aspect of project management identified as contributing to inefficiency was the tendency for government to tie funds to a particular project. When a planning delay, or similar, occurs, funds remain unspent. Thus, developers need greater flexibility to manage their cash flows and to allocate funds across projects in their pipeline. In this context an aspect of the design of NRAS was praised because the guidelines allow for incentives to be reallocated by the provider holding the incentives to alternative projects in specified circumstances.

Funding and fund raising

Many aspects of financing and funding were identified as issues. Fund raising for the lead providers has been challenging even before the credit crunch now affecting them. Many organisations described the intensity of the processes required to establish relationships with their bankers and to seek other sources of finance, hindering take-up of opportunities for growth. According to one leading developer from Victoria:

> 'Capacity has been demonstrated in Victoria but ongoing funding from both the public and private sectors is the issue;'

or in the words of another,

> 'We have to beg for funds.'

This problem applies both to the way most state affordable housing programs and NRAS operate at present. Nevertheless, as a large scale national source of public funding for affordable housing, NRAS in particular, has strong potential to be a catalyst to securing more orchestrated financing from institutional sources. This process would be aided by government establishing a specialist financial intermediary to raise funds and direct them to the not-for-profit sector. The operations of the state-housing finance agency in SA (see section 3.3) provide one established model for how this could be achieved nationally.

Another factor contributing to this problem at present is that each agency is attempting to secure its own financial deals, mostly on a project-by-project basis, rather than core finance being raised centrally and channelled to providers, as occurs elsewhere (see chapter 5). While a couple of the largest providers (such as CHL and BHC) have made some progress in securing ongoing funding, negotiating finance is harder and more expensive for smaller providers and those getting started.

Policy

The general issues raised about policy settings concerned lack of clarity and governments' tendency to change policies without consultation and, more seriously, without being aware (apparently) of the implications for the developer's business. For example, the Victorian Government recently increased its requirements for the share of public housing eligible clients to be housed by housing associations (in conjunction with stock transfers) but without making any concomitant adjustments to the funding rules. Yet taking on a higher share of deeper subsidy clients has a direct impact on the capacity of the associations to service debt. Alternatively, it may erode affordability, especially for the lowest income clients.

Serious concerns were expressed about overly restrictive policies: for example requirements for all allocations to be made to high needs/low income clients that apply in two states (Queensland and Tasmania). Problems cited with this approach included the greater risks and costs for the agency (from higher arrears, increased turnover and rent subsidy costs), and the lack of social diversity that resulted from the arrangement, especially in high density developments.

Regulation

Regulation methods, too, came in for some criticism, although providers were very positive about the benefits of regulating the sector overall. Most of the problems mentioned could be explained by the early stage of development of this function in all jurisdictions: 'regulators have L-plates on'.

Widespread concern was expressed about regulatory roles being carried out in the same government department that was responsible for public housing, even when different reporting lines were in place.

The key message for regulators was summed up by one leading developer:

> 'Regulators need to focus on the main game – are organisations viable, can they grow, are they providing good services?'

4.5 Resident perspectives

The three focus groups conducted with 16 residents of affordable housing providers in three jurisdictions (see section 1.4 for details) revealed that these residents had overwhelmingly positive views of their current housing. The views expressed by residents reflected a composite assessment of: the quality, security and cost of their current housing; a comparison of their current housing with previous housing experiences; consideration of the impact that their housing situation was having on their lives; and their relationship to their housing provider.

Below, we summarise the key points made about each of these aspects of the resident experience. Any significant dissenting or divergent views expressed in the focus groups have been included. All quotes in this section have been taken from the transcripts of the focus group discussions.

4.5.1 Current housing

Generally, participants were very satisfied with the quality of their housing. The majority were living in newly built or recently refurbished housing. This was clearly one factor contributing to their high level of satisfaction. Other factors mentioned by many participants included the location of their housing, particularly being integrated in the surrounding area and access to the city, that their housing was permanent and an appropriate size for their needs. Several participants said that they had been given a choice of housing, which was appreciated enthusiastically, 'I have chosen where I want to be'. Overall, sentiments like, 'I feel lucky every day' or 'I feel like I have won Lotto,' were expressed and endorsed across all three groups.

One group of tenants did not have security of tenure and this was of concern to many in that group, as participants across the three groups emphasised the high importance of having permanent housing.

Many of the participants lived in multi-unit buildings and there were mixed views of that experience. The main concerns expressed were about personal security, privacy, noise, shortages of and conflicts over car parking, cleanliness of rubbish rooms, and the mix of ages in a building (from children to aged persons). Positive experiences included connections to neighbours and engaging in community activities (such as gardening). The value of building caretakers and the housing service provider having regular contact with tenants were highlighted by some participants, in this context.

Different rent policies, either income related or market-related, were used by the providers represented in the focus groups. However, how rents were set did not emerge as a key issue in the discussions. More significantly, tenants were generally comfortable with the rent they were paying, which was higher than for previous housing in several cases. Satisfaction with the cost of their housing was clearly related by participants to their overall housing satisfaction and their sense of security and well-being (see section 4.5.4 below). This finding echoes other qualitative research in Australia that has found that income-constrained tenants are prepared to make trade-offs between rent level and housing quality and location (Burke and Pinnegar 2007).

A significant financial issue that did emerge was the cost of utilities. In one group, participants cited their reduction in outlays for energy that had resulted from moving into more environmentally friendly buildings as a considerable financial benefit. However, in another group, residents were experiencing financial hardship because of the high cost of heating and cooling their homes. This dichotomy of experiences highlights an important issue for affordable housing providers - whether they take into account the level of energy costs for residents in procuring housing. In this instance, one of the providers represented was designing environmentally sustainable buildings; the other was buying from the market with no particular specification about energy provision. As we discuss later, affordable housing developers could be encouraged (and funded where necessary) to develop 'green buildings' that can result in significant savings for residents.

4.5.2 Previous housing experience

Between them, participants had experienced the full range of alternative housing tenures, although the previous housing of most had been mainly private rental and/or public housing. A strong preference for their current tenure over renting, either privately or publicly, was a recurring theme across all groups: 'It's the next best thing to owning your own home'.

The perceived superiority of affordable housing had more and less tangible aspects. Participants consistently highlighted landlord relationships and housing services as key differentiating factors. Comments like, 'previously there was no point in contacting the landlord' or 'my experience with the (public housing agency) was of a litany of inaction,' were typical. Another factor producing negative views of public housing was direct experience of neighborhood violence by the participant or a family member in that tenure. In one group, problems in a building owned by the affordable housing provider were discussed but it was considered these had been 'nipped in the bud'.

Another set of views was that 'affordable housing' did not have the stigma associated with other forms of renting, especially public housing. Comments like, 'I don't feel like a renter', 'we like living in a mixed tenure area and not being stigmatised', 'we can take pride in our home' or 'previously (in public housing) we had become hermits and felt depressed,' convey different aspects of this perspective and the potency of feelings held by participants.

4.5.3 Impact of current housing on life situation

A range of comments that participants made about the difference that their current housing had made to their lives reflected the feeling that affordable housing was not stigmatised. Others referred to personal safety and physical security, health improvements, better self-esteem, less stress, or finding 'peace of mind' with a sense of greater security and greater access to social and recreation activities.

Other, often-recognised non-shelter benefits of affordable housing, such as access to employment and educational benefits for children (see for example, Phibbs and Young 2005) were not singled out by the groups. This may reflect the high proportion of older people and single people who participated.

4.5.4 Housing services

Residents had been with their current housing provider for between a few months and 13 years, with most being relatively recent tenants. This reflects the recent emergence and growth of alternative affordable housing providers in Australia. Overall, participants had a very high level of satisfaction with their landlord and their housing services. Commonly cited aspects of good service included: short response times for maintenance; flexibility about making improvements; and a personal level of service. Some participants also cited their appreciation of the freedom to help themselves (for example, with home improvements).

While participants had good personal relations with the staff of their housing provider knowledge about the organisation, specifically how it was established, governed and funded was limited to a few participants. There was more awareness of tenant participation activities but limited engagement by those who attended the focus groups[58]. Tenant meetings and tenant surveys received support as good practice –'it is nice to be asked'. It was not possible to gauge to what extent limited knowledge and participation could be attributed to a lack of interest on the part of participants or lack of effective strategies on the part of providers – this would be a useful area for further research as the sector expands.

4.5.5 Summing up

Overall, residents of affordable housing across three states who participated in the focus groups for this study were exceptionally satisfied with their housing and their housing provider. Their experiences of affordable housing were strongly positive and were compared favourably with previous experiences renting publicly and privately. Positive attributes of affordable housing that were most often cited related to security of tenure, quality of housing, lack of stigma and the negative connotations associated with their past housing, and responsive maintenance services. Any negative experiences reported were confined to individual buildings and usually reflected design issues widely linked to higher density living.

---

[58] Activities identified included a tenant newsletter, a tenant advisory committee, a resident picnic, a tenant survey, building-based resident committees and/or tenant meetings, and a tenant representative on the agency board.

Rent levels were not an issue as this housing was considered worth paying for, but there were significant differences in the experience of financial stress across the groups relating to variable energy costs. Housing funders and providers need to give more consideration to these outlays in procuring housing and assessing affordability.

Participants were acutely aware of the need for more affordable housing and were strongly supportive of the expansion of independent affordable housing providers.

The focus of our assessment of resident perspectives was on the experience of a small number of participants who were living in newly acquired affordable housing projects as defined for this study. There are no other data collected specifically on these projects, or their residents in Australia. However, a larger survey of medium to long term tenants in mainstream community housing is conducted every two years across Australia[59] .

4.6 Overview of findings

This chapter has updated the picture of the structure, operating environment and performance of the nascent not-for-profit affordable housing sector in Australia since 2004. From that time, not-for-profit affordable housing developers have experienced rapid change and restructuring; this is accelerating. Aspects of restructuring that have been significant include geographic expansion, strategic mergers and new inter- and intra-sectoral partnerships and alliances. The leading developers in 2004 and those that have joined them since have built successfully in all cases on modest beginnings and they are well positioned to achieve ongoing growth in their service levels, revenues and balance sheets, subject to access to government funding and other incentives (such as sites, and planning and tax concessions).

Our study also finds that a modest number of emergent and aspiring developers could follow these pathfinders but they, and the lead developers will need a forward development program and stock transfers to improve their pace of growth and create further economies of scale. As well, changed market conditions provide new threats (capital shortage) and opportunities (private developer engagement, harnessing of stimulus package funds) that will have to be factored into strategic planning for the sector. The emerging rules around new national initiatives, which favour not-for-profits, also suggest that a number of other community housing organisations can achieve growth. However, for many organisations this is likely to occur through expansion of tenancy and property management services rather than through development in the foreseeable future. Thus, many of the organisations aspiring for growth will need to make strategic choices between expanding into housing development or partnering with for-profit and not-for-profit developers to provide housing services.

Analysis of the business models, portfolio and projects of the leading not-for-profit developers plus our discussions with providers and other stakeholders have helped to demonstrate how not-for-profits operate, especially their potential to undertake cost-effective development and to offer good quality and appropriate housing outcomes for low income and special needs clients. Drawing on the features of the existing models, the core elements of a generic business model are proffered.

There has been significant up-scaling of corporate governance and professional capacity among the leading developers, achieved through their own efforts, combined

[59] The results of the latest National Social Housing Survey of community housing, conducted in 2007, can be found at http://www.aihw.gov.au/publications/hou/ch07-08/ch07-08.pdf. This publication also includes administrative data on community housing providers, properties and operations. However, the data exclude many of the projects discussed in this report, as they have not been CSHA funded.

with those of network agencies, private consultants and governments. However, there is lack of a comprehensive, coordinated and tailored approach to supporting capacity building across the industry and to steering a longer term growth path.

Ultimately, the test for any strategy to promote the expansion of independent affordable housing organisations is to meet and satisfy resident needs. Residents in affordable housing who were consulted for the first time in this study, though small in number, gave highly positive views of their housing and housing services, which were favourably compared (almost unanimously) with their previous experiences living in public rental or private housing or both. Their experience of living in well designed, energy efficient buildings and receiving responsive housing management services plus perceptions of a lack of stigma shaped these views. This finding points to the value of having a variety of innovative not-for-profit developers that are capable of designing and managing quality affordable housing products.

5 INTERNATIONAL DEVELOPMENTS AND MODELS

5.1 Why consider international developments?

Australian housing policy is undergoing a period of renewal and rapid development. Recent directions in affordable housing policy (discussed in chapter 3), in particular, will catalyse new forms of partnership for the provision of social / affordable housing, generating both opportunities as well as major challenges. Experience of similar but better established arrangements elsewhere can provide both cautionary lessons and a catalyst for the design and further enhancement of these directions.

This chapter goes beyond models of affordable housing in English-speaking communities, some of which have been examined by previous AHURI research (Lawson and Milligan 2007, Berry et al. 2004), to examine national models that are less well documented in the English language literature. The analysis presented covers the policy, regulatory and financial arrangements affecting the delivery of social / affordable rental housing in Austria, Switzerland, France and the Netherlands, where sizeable limited profit rental housing sectors operate alongside of home ownership and private rental markets. In these cases, land policy, structured financing and specialised regulation of not-for-profit delivery agencies have become integral parts of systems of housing supply, with varying success. Most detailed attention is given to the Austrian model because it has generated stable, affordable housing outcomes over the long term.

The core elements of a normative model for an affordable housing policy were discussed in section 2.4. In considering international examples of how elements of that conceptual model are applied, it is important to emphasise that practice in each country has emerged from a historical pathway that has generated specific arrangements to deliver government assisted housing that may differ from that in Australia (Lawson and Milligan 2007). Important differences will arise, particularly from the system of property rights and land management, the circulation of investment and savings and the way in which housing is paid for (Lawson 2006). For this reason, international approaches cannot be simply cut and pasted into the Australian context. However, learning from such examples could have a catalytic role in Australian policy making, facilitating reflection on the desired outcomes, given local opportunities and constraints.

Ideally, strategies for reform will be based on a well informed and integrated vision of desirable housing outcomes for Australian households that recognises existing and potential capacity of emerging institutions (Milligan and Lawson 2008). They should also provide a long term basis for building a stable housing system, but also be flexible enough to cope with changing conditions.

On this basis, careful and contextually informed assessment of international experience can offer strategic insights in order to address Australian needs and conditions. An assessment of key features of international approaches will be provided at the end of the chapter and relevant lessons for the ongoing development of Australian housing policy, drawn from the ideas and models that are discussed in this chapter, will be considered in chapter 6.

5.2 International trends in housing policy

As discussed briefly in chapter 2 and reviewed in greater detail by Lawson and Milligan (2007), contemporary housing policies exhibit considerable diversity, but also some significant shared trends. Among the latter, an enabling approach to housing markets has been a strong influence on policy thinking, until recently, promoted by international agencies such as the European Commission, World Bank and the OECD. This thinking encouraged a widespread trend away from direct-supply policies towards more targeted demand assistance, a shift that has been discussed critically by many housing researchers (Milligan and Lawson 2008, Oxley 2007, Yates and Whitehead 1998, Galster 1997, Agpar 1990).

Secondly, there has been a marked shift towards home ownership as the preferred tenure for more households. This has occurred in the context of an increasing flow of capital into home mortgages, assisted by the creation of secondary mortgage markets and encouraged by the establishment of lower prudential norms for banks – for example the Basel II regulation, which is based on the perceived low risk of the housing sector and the assumption that housing prices would continue to rise (Aalbers 2008, Stephens 2008, 2007). Specifically we have seen home ownership being promoted amongst lower income households, often assisted by fiscal policy permitting the deduction of mortgage interest from taxable income and a plethora of low income home ownership programs, especially shared equity (see Pinnegar et al. 2008). Towards this end, some governments, such as that in the UK, gave social tenants the right to buy their dwellings. Others, such as that in the USA, set explicit targets for low income home ownership (HUD 2006). These efforts have taken place across diverse countries from the USA to Germany, Romania and the Netherlands and, most recently, China (Stephens 2008).

In Europe, housing policy changes have unfolded amidst new demands from the European Commission (EC) and in increasingly over-inflated, unproductive housing markets (IMF 2008, Boelhouwer et al. 2006, Barker 2004). In addition to Basel II mentioned above, EC policy instruments also aim to reduce government deficits to three per cent of GDP, to increase internal market competition and to target subsidies to those providing specific services outside the market. In the housing arena, complaints to the EC by the European Property Federation in 2005 challenged the privileged position of universally accessible cost rent social housing in Sweden and the lack of competition with the private housing market (Oxley et al. 2008). The Commission for Internal Markets also questioned the significant role of social housing in the Dutch housing market (35 per cent), which is broadly accessible to a range of incomes. This challenge led to abolition of so-called 'Robin Hood' (cross subsidy) practices and application of corporate tax across both for-profit and not-for-profit activities of Dutch housing associations from 2009.

Nevertheless, other EU policies foresee an important role for social housing in strategies to improve social inclusion and address urban decay, to promote economic stability, support 'ageing in place' for an increasingly elderly population and as a vehicle for achieving environmental and energy targets (Ghekiere 2008).

Since the 1990s, social housing systems have continued to evolve, albeit with declining direct public support. The supply-demand debate has dominated these developments, as bricks and mortar subsidies have declined and been replaced, to a large degree, by targeted demand side assistance. In this process there has been a shift away from cost rent models for determining social housing rents, towards those based on market rents and demand assistance, with allowances to those deemed eligible by welfare departments to be 'outside' the normal housing market (Kemp 2000). The privatisation of public housing has supported the strong growth of alternative delivery models that are managed by a variety of voluntary and professional organisations on a for-profit, limited profit or not-for-profit basis.

Under public sector fiscal constraints, there has also been a pervasive shift towards the private financing of social housing. Table 16 illustrates the variety of financing arrangements which have emerged since the 1990s across Europe, ranging from part-public grant models to those entirely funded by capital markets. There is considerable evidence that, overall, this shift in financing has led to declining levels of production, until additional government efforts were made in some countries recently (Scanlon and Whitehead 2008, Whitehead and Scanlon 2007, Whitehead 2003).

Table 16: Models of financing affordable housing supply in Europe

Ireland	'Public grants model'	Centrally-funded grants to approved providers for construction, statutory financial intermediary provides low-interest loans for land acquisition, interest financed by central government, limited grants from local authorities.
UK	'Debt/equity model	Debt finance raised against grant equity (about 50 per cent of project costs) and future social rental income, in turn secured by rising rents and a generous housing benefit. As well, discounted land provided by development contributions under town-planning provisions (known as 'Section 106').
France	'Savings scheme model'	Tax-free household savings scheme (CDC) finances off market loans to HLM providers alongside state and local subsidies, tax incentives and other loans. Land provided by local authorities and development contributions.
Austria	'Structured finance model'	Long term low-interest public loans and grants, combined with commercial loans raised via Housing Construction Convertible Bonds and developer/tenant equity sustains a tightly-regulated form of cost rent limited profit housing. Production supported by municipal land policy and land banking.
Switzerland	'Co-operative finance model'	Commercial loans, loans from a bond issuing co-operative, revolving loans, and own equity and supported by municipal urban policy and land banking. A liberal rent policy allows landlords to raise rents to recover costs, including changing financing costs.
Netherlands	'Revolving fund model'	Replaced direct loans and subsidies with guaranteed capital market loans and rent assistance. Dutch guarantee fund (WSW) and Central Fund (CFV) provide security and assist to reduce financing costs. Associations determine their own investment strategy; their asset base and surpluses are intended to be used as a revolving fund to achieve the required social task.
Germany	'Tax privileged model'	Federal public loan program has ceased. Tax system channels investment into affordable housing via for-profit and limited profit companies, variable state schemes.
Sweden	'Capital market model'	Corporate tax-exempt municipal housing companies have always been financed by capital market loans, which were sometimes backed by municipal guarantees and grants, as well as their own resources. In the past, interest rates subsidies were provided by central government, but these have ceased.

Source: The authors.

The research summarised in Table 17, below, suggests that the withdrawal of government from direct housing supply since the 1990s has not only produced vastly different financing arrangements, but also shifts in eligibility, rent determination and consequently, the social role of housing providers (Scanlon and Whitehead 2008).

In the USA also, the long term shift to larger shares of private financing of affordable housing (such as reliance on tax-credit financing and sub-prime mortgage lending) has contributed to severe affordability problems for many of the lowest income households (Stone 2006) and renewed calls for setting social goals for financing affordable housing (see for example, Swack 2006). After a long community based campaign and in the shadow of the sub-prime mortgage lending crisis, there has been a major policy development recently which may herald a new era of financing for affordable housing in the USA. In July 2008, the US Congress passed a bill to establish a National Housing Trust Fund, which mandates the priority needs of the lowest income households. This fund is intended to be a repository of dedicated funding for affordable housing, 90 per cent of which will be used to procure or rehabilitate and operate rental housing through not-for-profits and public agencies. Seventy-five per cent of the rental housing funded must be targeted to households with incomes below recognised poverty levels. The Trust will operate as a mechanism to collect funds and distribute these to states in accordance with local allocation plans. Sources of funds will include government appropriations, levies and other discretionary funding that the Trust attracts (http://www.nlihc.org/doc/FAQ-NHTF.pdf). This concept builds on over 600 successful local and regional housing trust funds for affordable housing that have operated in the USA for some time (Schwartz 2006).

Table 17: Summary of outcomes reported by evaluative European research

Sweden	Shift away from subsidisation of municipal housing companies, cuts to tax breaks, allowances, amidst EU competition criticisms. Trends include increasing housing costs, declining production, sales to tenants as co-operative shares in central locations, concentration of vulnerable tenants in remaining social rental housing (Magnusson-Turner 2008, Turner and Whitehead 2003).
France	Sustained financing mechanism (CDC, state grants and HLM equity, low VAT), reforms to issuing of savings accounts (Jan 2009) to improve financing conditions, increasing rate of social housing production and renovation. High demand in areas of low vacancy, yet additional output constrained by limited grants and equity, considerable urban rehabilitation required, social conflict and public image problems. (Schaeffer 2009, 2008, 2003; Tutin 2008).
Austria	Sustained structured financing model with generous supply subsidies, increasing requirements for tenant equity in new higher quality developments prompts right to buy, production levels gradually increasing since 2001, responding to increased demand from migrants and contributing to economic upturn. Despite financial turbulence, low interest rates have favoured limited profit projects and limited profits remain strategic partners in complex urban renewal (Czerny et al. 2007, Amann 2006).
Switzerland	Sustained co-operative financing mechanism promoting modest growth of sector constrained by scarcity of urban sites, additional significant federal contributions to revolving fund, but no large long term public loans program, low interest rates currently favour cost rent development (Gurtner pers. comm.2009, Lawson 2009, FOH 2006).

Netherlands	Privatisation of municipal housing companies into private associations from the 1970s, self regulation, reliance on capital-market financing and own equity, activity at higher end of market, sales for ownership now equivalent to the production of new dwellings by associations, accumulation of large financial surpluses in mature providers, highly independent, yet deteriorating political legitimacy, recent abolition of some housing association tax exemptions (Lawson and Elsinga 2008, Boelhouwer 2007).

Source: The authors drawing on references cited

While there are very significant contextual differences between each system of housing provision mentioned above, a number of evaluative lessons can be distilled from these national experiences:

- → The strategic balance between demand and supply policies is important. Austria has minimised reliance on demand assistance by improving the cost effectiveness of dwellings produced while the Netherlands relies entirely on central government rent assistance and rent regulation to ensure affordability. Without supply side instruments, the Dutch government has been unable to ensure an increase in production of affordable dwellings when required.
- → The importance of responsive and conditional fiscal incentives, public grants, favourable loans and guarantees to steer housing outcomes is also demonstrated. Austria and France's long term supply strategies, incorporating public and private loans and tax incentives, can be contrasted with Switzerland's sporadic supply programs. In the Netherlands, the government relies on a financially independent housing sector to deliver required dwellings, yet increasingly offers few incentives for it to do so.
- → The importance of establishing appropriate public or private financial intermediaries that are strategically placed to channel low cost funds into affordable housing. There are a variety of models facilitated by different incentives and conditions: tax exemptions, government guarantees, sub-ordinate public loans, fees, set interest rates and secured rent revenue.
- → Allocation mechanisms, from more narrow safety-net models towards more universal and open systems, must address issues concerning the targeting of public resources as well as the overall public good, generated by socially strong neighbourhoods – as illustrated by Austria's more universal accessibility versus developments in Sweden and the arguments of the Commissioner for Internal Markets (EC).
- → The regulatory frameworks governing social housing differ considerably from prescriptive top-down models defined clearly in legislation to more self-managed and looser performance agreements. Their focus also varies from improving financial viability to monitoring the performance experienced by various stakeholders, including tenants, as well as the broader concerns of liveability and environmental sustainability.

5.2.1 Recent developments

Since the mid 2000s, there has been a perceptible weakening in the policy drive towards demand side strategies, as the costs of such strategies have grown, amidst rising rents and housing prices, and production levels have stagnated in many growth regions. This change and a return of more supply side strategies (see table 18) have been backed by several important reviews, some emanating from Treasury departments of central government, that have, inter alia, reassessed the role of government-supported-housing supply in housing markets and prompted the development of larger supply side programs (see for example, Czerny et al. 2007, VROMraad 2007, Ministère de l'emploi, du travail et de la cohésion sociale 2005, Barker 2004). This renewal of housing policy emphasises the economic, social and environmental contribution of social housing to achieving more sustainable communities.

It includes:

- → Efforts to address urban decay and polarisation via soft and hard renewal (France, UK, the Netherlands);
- → Efforts to reverse the decline and increase the supply of affordable housing (France, UK, Ireland);
- → Efforts to use social housing as a vehicle for innovation (Austria, Switzerland);
- → Reviews of regulatory arrangements to improve social outcomes (UK, the Netherlands);
- → Efforts to use local government planning powers more effectively (France, the Netherlands, UK, Ireland); and
- → Re-evaluation of home ownership for all and a shift towards a more complementary range of tenures (UK, Ireland, France).

Table 18: Summary of recent supply policy developments in selected European countries

UK	£6.5 billion commitment for 2008 – 2011 to build 45,000 social housing properties a year, keeping share of social housing at 20 per cent. (National Affordable Housing Agency 2008-2011, 2007).
Ireland	An additional €18 billion has been allocated to social and affordable housing programs to provide an estimated 40,000 additional homes over the period 2007–13 (DEHLG 2007). Investment in supply is supported by 20 per cent set aside for social or affordable housing in new residential developments. Third sector delivery is being expanded from a low base, similar to what is happening in Australia. Plans to increase supply of affordable housing across a range of tenures, including social housing supply (now 57,000 units per year).
France	More intensive use of state owned land; local planning processes and the 20 per cent planning requirement in new developments have contributed to the increase in supply. Efforts to improve quality of estates have intensified since the riots of 2005, via demolitions and renovation, coordinated by a new national agency (ANRU, established 2006). 2007 draft law on the right to housing for the vulnerable to be extended in 2012 to all households, operational December 2008 (EUKN 2008, Politique de la Ville 2007). 2009 Livrét A saving accounts can now be opened at all banks and a more favorable interest rate has been negotiated for social housing loans issued by the CDC (Shaeffer 2009).
Switzerland	Significant expansion of Federal contributions to revolving fund of up to €18.7 million per year, to a total of €115.2 million by 2015. This will bring the fund to a total of €317.5 million (Gurtner pers. comm. Feb. 2009).

	Adoption of Social Housing Charter (SVW, 2007 in German) required as a condition of loans to discourage speculative profit-making activity and to promote quality, low cost housing which is sustainable, integrates weaker households and involves tenants in housing management. Amidst the financial turmoil, banks are currently offering mortgages at historically low rates to limited profit housing developers. (Gurtner 2009)
Austria	Federal transfers to state housing programs, capped at €1.78 billion, remain in place, currently 1.1 per cent GDP (Amann 2009). Devolution has promoted diversity in program design: a shift towards home ownership promotion and energy efficient programs in more rural provinces, whilst the supply of housing remains a priority in urban provinces such as Vienna (Förster undated). Energy is emerging as a strong theme in housing policy and is a condition of all supply programs (Sommer 2008). With government security of savings, there is currently a shift away from housing construction convertible bonds and the volume generated via this vehicle is declining. However, declining interest rates have alleviated potential financing problems (Neuwirth, Kratschmann, Amann pers.comm. with Lawson 2009, 2008).
The Netherlands	Forty neighbourhoods have been identified for major restructuring and improvement but responsibility for additional investment is being contested between government and housing associations. Central government wants to make agreements with housing associations and municipalities to address regional problems, giving central government the capacity to intervene when these parties do not perform (VROM 2009a). Following criticisms from the EU, Dutch housing associations must separate for-profit from non-profit activities in their business accounting, to prevent 'Robin Hood ' (cross subsidy) activities, they can only receive support from the guarantee fund and central government for non-commercial social activities. Since January 2008 housing associations are subject to corporate tax on their commercial activities and must pay a new levy to aid investment in problem areas. As a stimulus to the stagnating housing market in January 2009, a cost price limit on new social houses was temporarily raised to permit housing associations to take over stalled private developments. In March 2009, €400 million was provided towards 'green' investment in inner-city areas, including the renovation of homes owned by housing associations (VROM 2009b).

Source: the authors, drawing on references cited

5.3 Specific innovations in social housing finance and regulation

Given this background of evolving housing policy and the return to more active supply side strategies, the rest of this chapter examines in more detail a number of specific innovations in the provision of affordable housing of potential relevance to Australian housing policy. The innovations covered and their potential areas of relevance are:

- Limited profit housing associations, Austria – relevant for the land policy, structured financing and regulatory arrangements;
- Co-operative financing arrangements in a facilitative urban policy, Switzerland – relevant for the small scale of co-operative financing and project development arrangements;
- A dedicated circuit of investment and savings, France's savings scheme – relevant for the channelling of off-market loans to sustain social housing programs and tenure pathways; and
- The limits of self regulation amidst strong financial independence, the Netherlands – relevant for highlighting the range of objectives that should be incorporated into the regulation of social housing providers.

More information about the key population and housing characteristics, institutional arrangements and related welfare policies of the countries covered can be found in Lawson and Milligan (2007).

5.3.1 Limited profit Housing in Vienna, Austria

Austrian policy and programs have contributed to stable housing markets and modest rises in housing prices for many decades (see Fig 9 below). This is an exception in Europe where over inflated house prices, stagnating production levels and declining affordability are the norm. In terms of affordability, the Austrian model of limited profit housing plays a very important role in providing cost efficient affordable rental housing, especially in Vienna where it provides 48 per cent of all rental housing, sufficient to influence rent levels across the entire rental market.

The limited profit housing association model in Vienna is characterised by three key elements:

- A long term and sustained role of central and local government in land banking, and providing public loans and conditional grants to steer the scale and quality of production;
- Use of financial intermediaries, embedded in the banking system, to channel low cost finance into affordable housing; and
- An accountable and well regulated delivery system, exemplified by numerous well performed limited profit housing associations.

Building on its success, Austria is now playing a leading role in exporting its model, by promoting the adaptation and establishment of limited profit housing systems in neighbouring central and eastern European countries (Amann 2009, Czerny et al. 2007).

The economic rationale for supporting supply is outlined in the Austrian Institute of Economic Research (Czerny et al. 2007) for the Ministry for Economics and Labour. Construction and real estate development play a strong role in the Austrian economy, being 6.7 per cent of GDP and providing a considerable source of employment. (Czerny et al. 2007). The role of the Austrian state has traditionally been to support and stabilize housing markets via the provision of supply subsidies to promote construction of new dwellings and increase quality via refurbishment in different regions and price categories. It also aims to provide decent affordable housing for workers to promote labour productivity and reduce the demand for higher wages.

Austrian social landlords are private companies, which can be owned by municipalities, public organisations, unions, not-for-profit organisations, co-operatives and private organisations. In total social landlords own 22.5 per cent of primary residences (865,000 dwellings) in Austria (Bauer 2004). There are more than 190 limited profit housing associations (LPHA), with an average 3,900 dwellings, which are typically professionally managed, creditworthy and market strong. They are represented and audited by an umbrella organisation, which must report on their performance to state governments. LPHAs have preferred access to subsidised loans and are exempt from company tax. Their strong market position facilitates efficient access to land, materials and construction markets. Further, the pervasive presence of cost rent social housing built by the limited profit sector has a rent-reducing effect on the entire rental market.

Providers have the responsibility to provide decent housing to low and middle income households and are subject to limited profit cost rent regulation. They carry out land acquisition and development, construction (including for third parties), letting and sales related activities. They receive subsidies from the Länder in the form of conditional grants, loans at low interest rates, land at low prices (subject to municipal policy), and are eligible for exemptions from local taxes and, sometimes, land taxes, and also from corporate income tax (CECODHAS 2005).

Five key features of the LPHA system are discussed, in turn, below.

Figure 8: Social housing in Vienna – old and new

Source: Lawson

Broader eligibility and subsidy principles for moderate-cost social housing

Unlike social housing sectors in other countries, Austrian limited profit housing is not only for households with a low income, but also for the broad middle class. Access to subsidised rental housing is often conditional upon the contribution of one's own equity, typically calculated as a flat rate per square metre, which is partly returned via the provision of affordable housing and partly considered a contribution to the overall subsidy system. Those not able to provide their own equity can receive a loan at zero interest rates to pay their equity component.

Public assistance for housing typically comes with conditional income limits for both tenants and owner occupiers. Eligibility varies according to the structure of project financing and requirements linked to local and state subsidies, which also vary between regions. Where municipalities provide land, they may require the right to nominate future tenants. In Vienna, for example, 25 per cent of tenants are arranged by the municipality via its Housing Service. This service centralises waiting lists for all LPHA and municipal housing companies across the city. Specific projects may also aim to address special housing goals and needs, promoting ethnic inclusion, combining residential and working spaces or offering low energy no-car lifestyles. However, the main factor determining the affordability and accessibility of housing for different household types is the founding financial arrangements and rent regulation.

As mentioned above, rents are subject to national rent regulation and linked to project costs. They are not static but vary with the project costs over time. In principle, subsidised housing is not perceived as a mechanism to redistribute housing outcomes and ensure access for the poor. Rather, the promotion of limited profit, cost rent housing aims to ensure quality housing is produced at a moderate price that will meet demand and not inflate wage demands. Further, subsidies are available to any complying developer, public or private. This is justified on the basis that subsidies are considered an equity substitute in exchange for profit-restricting conditions (cost rent, size limits and investment returns) and ensures that such stock is supplied and upgraded as required (Deutsche, personal communication 2007).

Consequently Austrian LPHAs avoid the risks associated with safety-net and vulnerable tenancies. Nevertheless, municipal housing companies are more orientated to those unable to afford cost rent housing, their applicants are subject to income limits as well as residency requirements and ranked according to need and waiting lists (Kofler, undated).

Clear principles and strong legislative framework

The activities of limited profit housing co-operatives and companies are governed by regulatory principles laid down in the Limited Profit Housing Act. These principles are:

1. **Cost-Effectiveness.** With respect to the cost of constructing and administering dwellings, the prices charged by a limited profit housing association are fixed at a level 'neither higher nor lower' than necessary.
2. **Appropriation of assets.** The assets of a limited profit housing association are tied-up to be appropriated for the purpose of housing (new construction, renovation and refurbishment).
3. **Limitation of profits.** Profits are accepted but limited – via caps set for rent and charges and income on shares.
4. **The sphere of business activities is limited.** Limited profit housing bodies and their activities require government approval and are subject to government surveillance and control (GBV 2008).

The main elements of regulation concern:

- → Definition of acceptable activities, which restricts LPHAs to limited profit cost capped housing of modest but adequate standard;
- → Interest limits on financing provided by the capital market;
- → Rules for setting rents and the principles of rent contracts;
- → The compulsory re-investment of profits into supply and renovation;
- → Limits on administration costs, including salary caps for managers;
- → The decision-making and management process, which must involve tenants, and sets a key role for government in regular evaluation and auditing, as well as enforcement procedures; and
- → The design principles for state based programs.

Facilitative land policy – Vienna's Housing Fund

Vienna has a long and strong involvement in the promotion of limited profit and municipal housing. Since the collapse of the land and private rental market, following the introduction of rent regulation in 1917, the city government had used its territorial powers to purchase considerable areas of the city by the 1930s. Over the past 25 years, land for social housing has been secured by a special fund established by the Municipality of Vienna, which has the largest and most sophisticated institutions for the transfer of developable sites in Austria. In 1984 the National Housing Improvement Act was adopted and the Vienna Land Procurement and Urban Renewal Fund was established to address the land shortage for housing, to provide land for social housing, and to combat land speculation. The fund was originally financed by the donation of municipal land which, together with the proceeds of land transactions and fees for the completion of rehabilitation projects, makes it now self-financing (Förster 2000). Until 1995, the Fund was the sole source of land for social housing. Since that time, land may be provided for approved developments undertaken by both the private and non-profit sectors, which are assessed for their economic, ecological and architectural merit by a planning committee comprising municipal and Fund representatives.

For larger sites, the Municipality of Vienna arranges a competition between private and non-profit builders for public subsidies to construct affordable housing. This process aims to reduce construction costs, thereby reducing rents, and to improve planning, design and environmental quality of projects. Large developments often involve a number of LPHAs as well as private companies. Examples include the redevelopment of disused railway freight yards for housing, the mixed residential development of the former cable works site and the world renowned conversion of the nineteenth-century gas storage towers.

The Fund continues today as a financially independent non-profit making institution buying and developing land and selling sites for the construction of approved projects. It also works in close co-operation with the municipality's area-renewal offices to rehabilitate blocks of buildings with sitting tenants (Weber and Meyer-Cech 2001, Förster 2000).

Cost rent, cost capped, limited profit housing

Austria has developed a strong and stable regulatory environment for subsidised housing emanating from a federal legal framework implemented by state governments. Under the LPH Act, cost rent involves establishment of a maximum and minimum allowable rent, which relates to the original cost of land and construction, the age of the buildings and dynamic financing costs of the project.

Associations can reduce rents by reducing component costs: cheaper land, own equity, low cost loans, cheaper building techniques and standards. These regulations also specify a period for maintenance, repairs and renewal. If these investments are not made, tenants must be repaid in the form of lower rents. Income ceilings for managers are defined, as well as cost limits for administration, planning and building. Finally, the LPH Act allows for a two per cent margin during the repayment period, which must be reduced when these outstanding costs are reimbursed (Bauer 2004:45).

Initial rents define a rental cost per square metre, which can be increased each year with CPI, and revenues should be sufficient to repay the annuity of the capital loan as well as the interest on the public loan (Neuwirth 2004: 1). Rents must be increased as financing costs increase and it is assumed that incomes will increase with CPI. Typically, rents are fixed annually and balanced at the end of the year, with tenants either receiving a return or making additional payments to cover financing and operating costs. Overall association profits are limited to six per cent and there are restrictions on the interest received from own funds.

There are also important limits on the cost of dwellings constructed. LPHA undertake housing activities which are limited in terms of the size of dwellings (150 square metres) and their quality, as well as the cost of managing, planning, building and administration (Bauer 2004). Other building activities can be undertaken, such as the building of kindergartens etc, but must be approved by the relevant public authority.

Housing associations are audited according to the decrees issued under the Limited Profit Act, for the efficiency of management and investment strategies. A significant part of the work of the national Federation of Limited Profit Housing Associations (GBV), of which membership is compulsory, concerns financial supervision. The GBV employs 40 qualified accountants, specially trained to audit non-profit organisations and co-operatives. Every year it generates a financial report on each LPHA, which is delivered to the relevant provincial government for approval. LPHAs that fail to reinvest their profits in new production will face enforced merger with another LPHA ultimately.

Structured financial arrangements, including a key role for public loans

As mentioned above, the core business model involves the recovery of cost rent. Affordability is produced by reducing housing supply costs and does not rely heavily on demand side assistance (Bauer 2004). A key aspect of the Austrian model is the role of structured finance in keeping financing costs down, which comprises a number of components, as discussed below.

Total housing expenditure in Austria is gradually declining and is currently about 1 per cent of GDP, mid-range in Europe. Public loans are financed by a pre-determined proportion of federal government revenue which is capped around €1.6 billion annually over 12 years (72 per cent), as well as by additional contributions from provincial (state) governments (6 per cent) and returns on outstanding loans (22 per cent). These funds are dedicated towards refurbishment and new residential development (92 per cent) as well as demand assistance (8 per cent) (Amann and Mundt, unpublished).

During the early 1990s the level of government subsidies was considered inadequate to address declining rates of production and rising housing costs. New dedicated sources of funds were sought that would not inflate construction costs (Neuwirth 2004). Thus, since 1993, Austria has increasingly pursued private finance for the construction of limited profit housing, but maintained a strong involvement in co-financing, project approval and land development assistance.

In order to obtain the lowest possible interest rate on capital market loans, an entirely new financing mechanism was created. Tax deductibility for investment and the tax exemption of profits were considered necessary to attract investment. Initially, numerous proposals were put forward to launch tax deductible ‘granny shares’ for mature asset-rich households by the vice Mayor of Vienna. This eventually evolved into a scheme for tax-exempt bonds, further developed by Dr Schmiddinger from the Erste Bank (Neuwirth 2004).

Within a short period, the Housing Construction Subsidy Act was enacted in 1993, outlining a new system of housing finance: direct subsidies (low-interest public loans), indirect subsidies (such as savings schemes and sale of Housing Construction Convertible Bonds or HCCB) and tax incentives (income deductions for the purchase of HCCB) (Norris and Shiels 2004). This system enabled the creation of a protected circuit of capital to generate private investment for affordable housing projects. Strictly defined, it is an indirect subsidy to promote specific supply outcomes.

Since the passing of legislation in 1993, the Austrian Government established special financial intermediaries (housing banks) to channel funds, in the form of lower interest capital market loans, into the approved, limited profit housing provided by associations or private entrepreneurs. This important aspect of the Austrian housing solution is discussed in more detail below.

Austrian social housing is now financed from a range of sources that include: capital market loans (30 to 50 per cent); subordinate public loans (30 to 40 per cent); equity of the developer (around 10 per cent, mostly land); additional subsidies and, potentially, the equity of future tenants (0 to 10 per cent) (Amann and Mundt 2006).

Banks are interested in financing limited profit housing because of the long term, low risk yields they receive from their mortgages and, importantly, because they can refinance these loans by selling tax-privileged housing mortgage bonds.

From the banks' perspective, LPHAs are considered to be well established, closely regulated and market responsive housing developers that, together with subsidy granting authorities, carefully moderate their activities to respond to any surpluses in supply and demand. LPHAs also operate under a strict regime of cost recovery and limited profits. The receipt of subsidies is conditional upon close financial supervision. The collateral position of the banks in financing developments is also strong due to the equity of the developer and tenant and the fact that public loans are often subordinate to capital-market loans, further reducing their risk (Bank Austria Wohnbaubank 2008).

For these reasons, interest rates can be lower for subsidised rental apartments than for subsidised and non-subsidised condominiums and non-subsidised rental apartments. As a consequence, large new apartment complexes in Vienna tend to be subsidised developments, whilst non-subsidised developments can only succeed in the most marketable locations (Bank Austria Wohnbaubank 2008).

The introduction of Housing Bonds to the Austrian financial market occurred at a time when more lucrative returns could be found elsewhere. However, with the evaporation of 'new economy' alternatives and the turbulent market conditions following '9/11', long term low risk bonds became more attractive. With its strict, regionalised and personalised loans culture, the non-existence of legal structures to support Mortgage Backed Securities (MBS) and the fact that few banks invested in MBSs originating from the poorly regulated US market, Austria has been relatively immune to recent financial crises facing many regions of the world (Kratschmann, pers. comm. with Lawson, June 2008).

Bonds are issued to investors for terms of between 10 and 20 years and can have fixed, variable or step-up or down conditions. They can also be adapted to the needs of property developers and financiers. The bonds are taxed at source at a rate of four per cent and are thus untouched by personal income or inheritance tax. After 10 years, investors can write off the initial cost of purchasing the bond against their incomes.

The low rate of tax entices investors, provides cheaper mortgage rates for housing developments and, in turn, lowers construction costs, which enables the provision of more affordable rental accommodation. Funds raised must be used for new dwellings or the renovation of existing projects, with less than 150 square metres floor area, within three years. According to Bank Austria, the potential to sell bonds in order to raise finance for LPHA loans is very attractive, as it enables this business to be undertaken independent from other areas, whilst improving the overall liquidity and refinancing position of the bank (Bank Austria Wohnbaubank 2008).

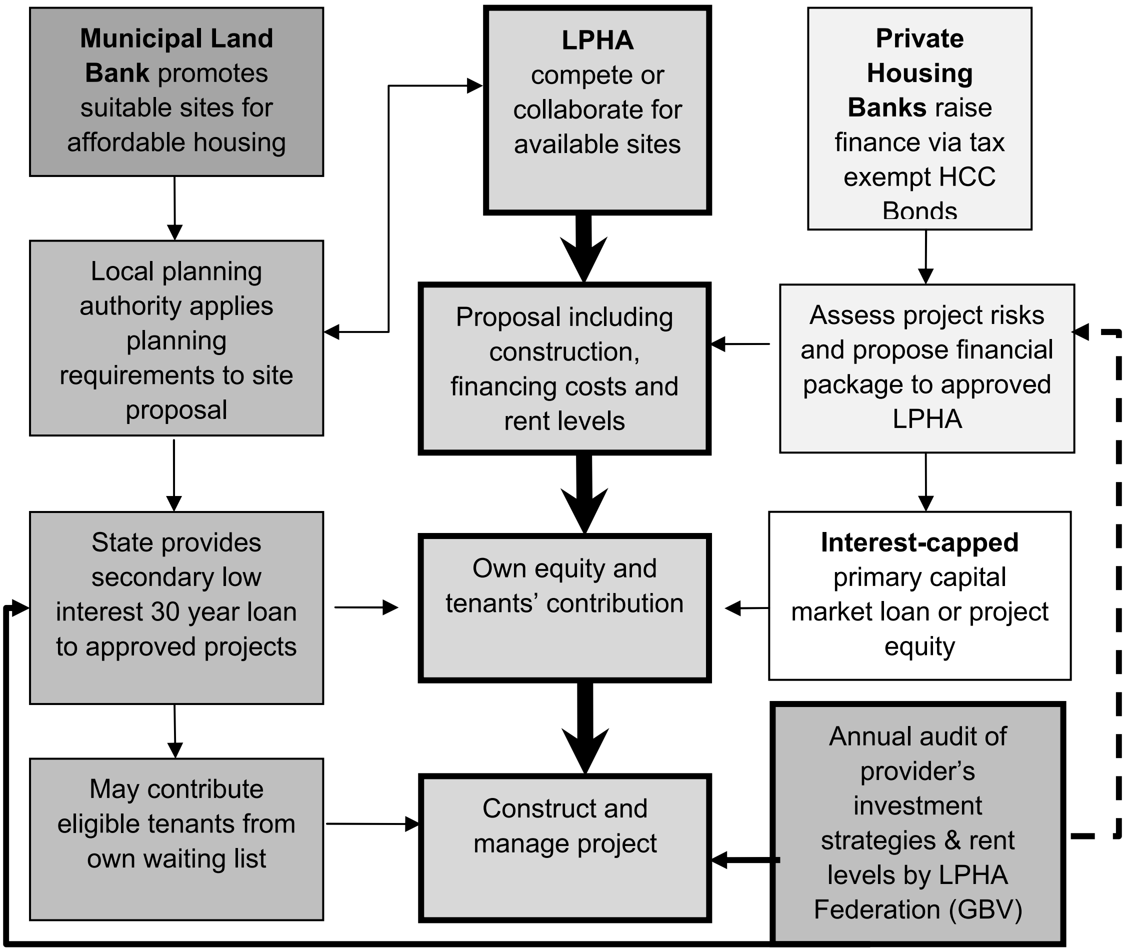
Housing Bonds are now a standard part of financial investment portfolios in Austria. Funds raised from the sale of bonds must be invested in approved projects, with size, construction cost and rent limits. Between 1993 and 2003, six Housing Banks raised €6 billion via the sale of Housing Construction Bonds and these funds were channelled into the production and renovation of around 120,000 affordable dwellings by Limited Profit Housing Associations.

Mortgage conditions are very favourable to LPHA. Many factors contribute to this situation, including the fact that they are financially sound and well supervised by their umbrella organisation, of large size (average around 3,900 dwellings), have a mature asset base and a clear ownership structure, and they are co-financed with the state.

Summary

Figure 9 shows how the key institutions, processes and contributions outlined in the previous subsections operate together.

Figure 9: Processes and relations in Austrian limited profit housing



Source: The authors

5.3.2 Small scale co-operative arrangements – Swiss Limited profit Housing

The Swiss non-profit sector is small but provides valuable affordable rental housing in tight urban markets. This section examines:

- → The importance of public agencies in facilitating access to land;
- → The cost-effective and cooperative role of small and regionalised umbrella organisations in providing professional support, project assistance and managing revolving funds;
- → The supportive role of the Federal Government in facilitating access to capital markets, when public funds were limited, by providing a guarantee and contributing towards a revolving fund; and.
- → A strategic and collaborative approach to establishing institutions, setting standards, assessing proposals, and conducting post-occupancy project evaluations.

For more than a century, not-for-profit housing has been part of the Swiss residential landscape but camouflaged by similarity and inclusion within the dominant rental sector (see Figure 10). The main difference between Swiss social housing and private rental housing is the former's cost rent, non-profit orientation: whilst making adequate returns on equity, social housing providers do not aim to maximize rental income, dampening rather than passing on market fluctuations. More than 1,700 associations and cooperatives contribute eight per cent of all dwellings (up to 20 per cent in urban areas) and 14 per cent of rental accommodation. State ownership of public housing is limited – around three per cent. Providers are typically small and self-managed (<100 dwellings) but there are around 30 larger social landlords with 4,000–5,000 dwellings, significant enough to influence rent levels and provide a range of innovative and environmentally sustainable housing options in major cities.

There are three umbrella organisations (SVW, SWE and VLB) representing the non-profit housing sector in different linguistic regions of Switzerland. They provide financial and legislative advice to members and fulfil various tasks such as training, project evaluation and mortgage and fund administration.

Figure 10: A century of non-profit housing in Zurich 1907-2007

Source; Lawson 2009

The cost of private finance reduced by constructive partnerships

Housing developed via the non-profit sector is often provided in high-demand markets where rents and land prices inhibit market provision of quality, affordable housing. A key factor in the expansion of the social sector in these areas is the provision of land at discounted prices for sale or lease by public landholders.

Beyond this important subsidy, there are no public loans or grants for construction. Thus, new projects and renovations are primarily dependent upon private finance. However, there are several interesting mechanisms which make good use of accumulated funds, assets and professional expertise in both the public and private sector, to reduce financing costs and produce good quality, financially sustainable projects.

The following innovative instruments have emerged from co-operative relations between the non-profit sector and the Federal Housing Office:

- → A revolving fund financed by the state but operated by the sector;
- → A bond-issuing cooperative which draws private funds at lower interest rates towards its not-for-profit members by profiting from federal guarantees; and
- → Federal collateral security granted to a mortgage guarantee cooperative established by the sector itself, which can also reduce the cost of lending for non-profit builders. (See Lawson (2009) for a fuller historical and explanatory account.)

Federal Revolving Fund and SVW Solidarity Fund

A revolving fund for the promotion of housing has been able to issue small, low-interest loans, which have assisted the construction of 4,663 dwellings. The fund will be expanded considerably from 2009 to CHF 510 million[60] by 2015, through significant contributions from the Swiss Government, matching the sector's capacity to generate and process new applications and meet housing demands. Interest on loans was two per cent in 2008 and is always at least 1.5 per cent below the market rate. Loans have up to 20-year terms and are administered by the umbrella organisations of the not-for-profit sector.

Typically, the fund offers CHF 30,000 per standard dwelling, which will rise to CHF 45,000 from 2009 for proposals that meet higher environmental standards. These small low cost loans provide security to lever additional mortgage funds. Applications for funds can be made quarterly and are evaluated by a committee of housing policy and design experts (Federal Office of Housing) as well as project financing experts (umbrella organisations). Evaluation standards have been developed by the Federal Office of Housing in three fields: the quality of dwellings (size, yield, price and comfort), the quality of the immediate environment (inside accessibility, common spaces, noise levels, etc.) and the quality of the wider environment (transport connectivity, recreation areas, schools, etc).

Today, the revolving fund is a well established vehicle, capable of playing an ongoing role in the modest growth of the Swiss not-for-profit sector. Due to its revolving nature, the fund is continually recycled to support new developments. The revolving fund will be expanded significantly by federal contributions, from 2009, of up to CHF 30 million per year, to a total of CHF 185 million by 2015. This will bring the fund to a total of CHF 510 million. Expansion is considered appropriate by both the Federal Government and umbrella organisations, matching their capacity to generate and process new applications and to meet current demands from the sector.

Since 1999, SVW members have also contributed towards their own solidarity fund, which has supported an additional 321 loans for affordable cooperative housing since 2003, to the value of CHF 98.9 million. On average, around 90 per cent of members contribute approximately CHF 10 per dwelling per year towards the fund. Typically, these funds are used to support specific projects that promote innovation in aspects such as housing form, co-operative services and sustainability (pers. comm. Schwitter June 2008).

[60] 1 AUD = 0.78 CHF (Reserve Bank Australia, April 1 2009).

Bond issuing co-operative

Generally speaking, bonds are a mechanism for raising private capital used by both the public and private sector. Backed by tax revenue, government-secured bonds typically offer investors low risk, low interest fixed income securities. In return for the purchase of bonds, investors receive a predetermined schedule of interest and principal repayments for a defined term, typically ten years. To entice investors, governments can also offer a number of fiscal incentives, classifying specific bonds as a special expense which is tax deductible, thus income earned from the purchase of bonds may be partially or fully tax exempt. Governments can use bonds to generate funds for a particular purpose and they are employed in several OECD countries, such as the UK, USA, Austria and Switzerland, to promote the supply of affordable housing.

The Swiss Bond Issuing Cooperative (hereafter BIC) (Emissionzentrale für Gemeinnützige Wohnbauträger (EGW)) was established in 1990 to raise funds for not-for-profit housing entities that have formed a cooperative. It was founded during a time when interest on loans was expensive and there were risks associated with national adjustments to European financing costs. In 1991, the first bond of CHF 85.1 million was issued for a running period of 10 years. At that time, the market conditions for bonds were favourable compared with bank loans of the same maturity. Since that time, BIC has issued CHF 3,048 million in a series of 37 bonds (public issues or private placements).

Key players in the establishment of BIC were the umbrella organisations (SVW, SWE and VLB) and the Federal Office of Housing. Today it issues 8–15-year bonds, which are covered by a state guarantee, and with the funds raised provides loans to members with a fixed interest rate over a fixed term (Hauri 2004). Whilst some larger not-for-profit entities are financially strong, the BIC pool allows smaller not-for-profit builders to join together, improving their access to finance on more favourable terms. In this way, it plays a leading role in financing small non-profit housing projects. It has about 350 members and has helped to finance approximately 877 projects to supply 30,000 dwellings.

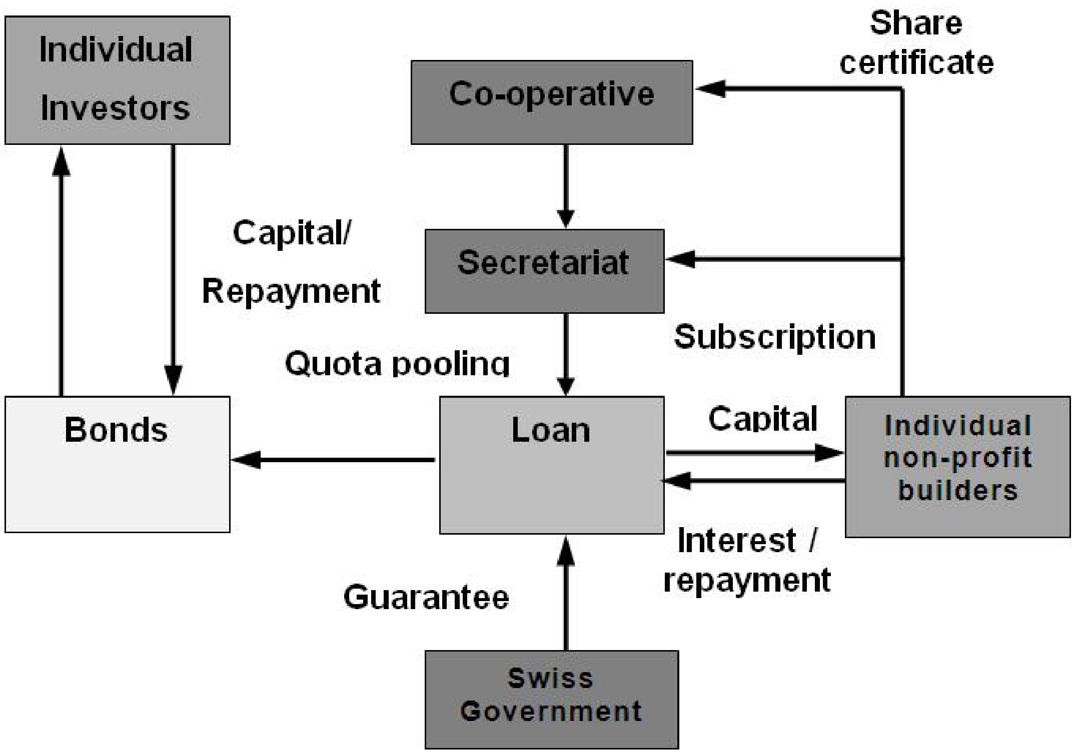
Institutional investors such as pension funds and insurance companies are attracted to BIC bonds by the state guarantee and high credit rating (AAA). As recent requests show, the level of demand for the Swiss housing bonds is very high. In 2006 and 2007 the BIC raised CHF 200 million annually. The process of raising funds for social housing construction is illustrated in Figure 11 below.

The not-for-profit sector has also cooperatively established a Mortgage Guarantee Fund (CHF 32.6 million), which guarantees banks for 90 per cent of loans for new buildings and renovations. It is a sector funded (238 members), state-backed guarantee, through which eligible not-for-profit builders can access lower interest rates for their first or second mortgages.

Summary

The Bond Issuing Co-operative (Figure 11 below) pools smaller financial demand from not-for-profit housing entities, raising finance which is typically 1 per cent below market rate, enabling lower rents for tenants. It allows smaller not-for-profit builders to join together, improving their access to private finance on more favourable terms. The financial cooperative issues 8–15-year bonds, which are covered by a state guarantee. It is able to issue loans to members with a fixed interest rate over a fixed term and has helped to finance approximately 30,000 not-for-profit dwellings since 1991.

Figure 11: Swiss Bond Issuing Co-operative (EGW)



Source: FOH, 2006

Table 19 gives an example of a recently financed and completed project in Geneva, which illustrates the various financial components.

Table 19: Financial sources for Les Zabouches project (Cooperative De l'Habitat Asociatif)

Financial source	*Millions CHF*	*%*
Private finance		
Loan from the Canton Bank of Geneva	5.4	54.6
Loan from the Bond Issuing Co-operative	2.5	25.3
Second loan from the Canton Bank of Geneva	0.35	3.5
Loan from the Revolving Fund (SVW)	0.54	5.5
Total private finance	8.79	88.9
Own equity		
Sustainable energy funds	0.344	3.5
Funds for the efficient use of solar energy and timber	0.751	7.6
Total project finance	9.886	100

Source: Rabinovich and Poschet 2007

The remaining cases discussed in this chapter are covered less comprehensively. They have been selected to demonstrate specific aspects of relevance to Australian policy development. The next sub-section describes France's dedicated circuit of investment and savings for social housing and the final section highlights the need for balanced regulatory systems, which encompass not only concerns for financial continuity but also social and environmental objectives and tenant accountability.

5.3.3 The French savings scheme for financing social housing programs

The French model is another example of a diversified social housing system which has been sustained amidst countervailing housing policy and production trends across the EU, and has been insulated from the impact of the global financial crisis to a greater extent than other countries featured in this chapter (Gurtner 2009, Amann 2009, Aedes 2008). Off-market loans financed by a protected savings circuit have ensured that a sustained range of housing programs have been able to deliver dwellings for a variety of income levels. Indeed, they have sustained some of the highest social housing production outcomes in the EU (70,000 new units in 2007-8) (Schaefer 2008).

French social housing is built and managed by 563 public offices and privately run companies known as Habitation à Loyer Modéré (HLM). Their performance is controlled by the Ministry of Housing and Finance, which can force mergers in the event of non-compliance. These organisations manage an average of 7,400 dwellings, and are limited profit (four per cent return) organisations whose rents are linked to costs of construction and finance and who are exempt from company tax (Schaefer 2008).

Affordability of housing costs is ensured via a system of housing allowances available across tenures. This has been consuming an increasing proportion of the state housing budget amidst rising housing prices. The balance between bricks and mortar subsidies and housing benefit has shifted over the past two decades towards demand assistance via housing allowances and tax rebates for home owners. Security of tenure is well protected but higher income households may pay a supplement when occupying subsidised dwellings.

The mains sources of public funding are:

1. Direct contributions from the national budget for construction subsidies and individual allowances;
2. The primary lender of finance loans, the Caisse des Dépôts et Consignations (CDC), which provides funds from the Livrét A fund (a savings fund with regulated interest rate and not subject to tax). The Crédit Foncier de France and the Comptoir des Entrepreneurs are also involved. These are both specialised financial institutions from the private sector;
3. The employers' contribution (the so-called 'one per cent housing contribution'), which was designed to promote housing for employees. These funds are used for loans and for grants and to promote rental accommodation or home ownership; and
4. Local authorities. Most of the time local authority contributions take the form of supplementary funding, topping up that provided by the French Government (Schaefer, 2008a).

The key components of social housing finance in France on the supply side incorporate state subsidies (three per cent), local authority subsidies (seven per cent), CDC off market loans (70 per cent) and other commercial loans (13 per cent) (Schaefer 2008a).

A number of tax provisions promote lower social housing costs. These include a lower sales tax for social housing construction (5.5 per cent instead of 19 per cent) and eligibility for land tax rebates, as well as collateral provided by local authorities. The following section focuses on the most significant proportion of social housing finance that is provided by off market loans.

French Livrét A Savings accounts

The French scheme converts short term deposits into low interest long term loans for social housing. Every French household has the right to open a tax-free Livrét A Savings Account at their local bank (since 2009 all banks, formerly only at two savings banks and the Post Bank), depositing up to €15,300 (around $AU30,000) which has been capped since 1990, with the average deposit being €3,000. Their savings are pooled by a state owned financial intermediary known as the Caisse des Dépôts et Consignations (CDC), which pays a fee to the banks for collecting the funds and a defined interest rate.

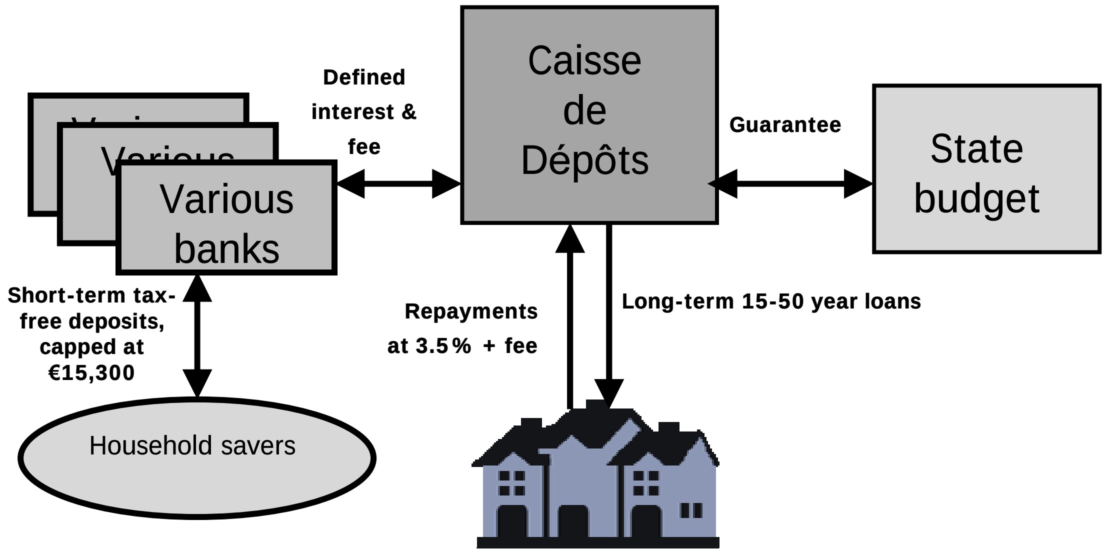
Recent negotiations, broadening the number of financial institutions that could host the savings accounts, had a favourable outcome for the cost of social housing finance despite fears that it might reduce the overall volume of investment. Before 2009 the interest rate on social housing loans was equivalent to the interest rate of Livrét A accounts (3.5 per cent) plus the fees paid to the Savings Banks (or Post Bank), 1.1 per cent , a total of 4.6 per cent. In January 2009 the interest rate on social housing loans was lowered to 4.1 per cent, comprising 3.5 per cent interest on savings deposits and a lower 0.6 per cent fee for the banks holding the accounts and transferring the savings to CDC (Schaefer 2009). As the CDC issues loans to social housing programs, this reduced fee also enabled lower cost long term finance.

As the deposits in the tax free Livrét A Savings accounts pooled by CDC are guaranteed, amidst global financial turbulence there has been a rush to deposit savings in them, increasing the amount of funds available for social housing development. According to the Principal Economist for CDC:

> ‘for 50 years we have transformed short term deposit savings (which are 8 per cent of financial assets of households in France) into long term loans (15 to 50 years) for financing rental housing and urban renewal. And this has not changed much, recent changes are more adjustment to European Union regulations and better tuning of the system, which is rather robust in the present financial world turmoil…’
> (J-P Schaefer, CDC, March 2009).

Figure 12 illustrates the regulatory and financial relationships of the savings scheme.

Figure 12: French Livrét A CDC Savings scheme



Source: Schaefer, 2008 adapted by authors.

5.3.4 The limits of self regulation amidst strong financial independence, the Netherlands

Regulating the social task of limited profit landlords varies from the clearly prescribed and enforced models of Austria through the code of conduct and conditional funding standard of Swiss providers to more voluntary arrangements in the Netherlands. Consideration of tenant outcomes varies, but is often weak, in this regulation. However, some countries are trying to rectify this (Lupton et al. 2008, Cave 2007, CIH 2006). The following illustration is more of a cautionary tale that emphasises the importance of appropriate and balanced regulation in promoting desirable social housing outcomes.

For more than a century, the Netherlands has been a model of social housing provision in Europe. Housing associations provide more than 35 per cent of total housing stock and for many decades have securely and affordably housed low and middle income households (Boelhouwer 2003). Since the 1990s, guarantees and the strong asset base of housing associations have enabled their access to private finance, albeit primarily via the Bank of Dutch Municipalities. The financial independence from government of the associations has made them less easy to control, within self regulatory management structures[61]. Within this framework, housing associations are free to sell, invest and choose the way they allocate their revolving fund to the social task.

Each housing association reports annually to the Ministry of Housing, which is responsible for their supervision. The social task of housing associations is defined in the Social Housing Management Order (BBSH) in six performance fields:

1. Contribute to affordability (which is primarily achieved by demand assistance)
2. Contribute to good quality housing

[61] Note that the guarantee fund assesses the viability of development proposals, with an emphasis on the financial continuity of the association, rather than on the social task.

3. Involve tenants in policy
4. Take care of financial continuity
5. Contribute to liveability
6. Contribute to combining care and housing.

To apply the management order, housing associations and local governments are advised to set desired targets in written performance agreements. Performance is reported to the Central Fund for Housing (CFV), which in turn reports to the Minister for Housing. However, implementation and enforcement appear to be weak. In 2008 only one-third of housing associations had prepared agreements (Conijn 2008). The social criteria under the management order are broad and not prescriptive and targets are an outcome of local negotiation between key players. Many important decisions are taken at the project proposal level and are strongly influenced by financial viability concerns. Thus, housing outcomes tend to be an aggregation of fragmented project level decisions

At the national level there has been considerable debate recently about the social performance of housing associations. The national government is frustrated by their independence and their public image is poor (Mullins 2008). At the time of writing, the government was proposing a new vision for the management of social enterprises, such as housing associations and the establishment of a new Corporations Authority to review performance outcomes.

Key factors that have contributed to loss of confidence in the Dutch model have included abolition of most supply side subsidies and the loss of tax privileges for housing associations. The lack of government support has led housing associations to question their responsibility for their social task in the face of declining financial viability. A court case is pending on whether one association can deregister itself, abrogating its social responsibilities. If that association is successful many may follow (Lawson and Elsinga 2008).

5.4 Conclusions from international research

Over the past century, the supply of social housing, via limited profit housing organisations, has provided many European governments with a vehicle to deliver important housing policy goals. As this report clearly demonstrates, Australia is now joining this group of innovators in housing policy and practice. In that context, international practice concerned with land policy, financing mechanisms and regulatory arrangements can expand our understanding of the role and limits of housing policy in facilitating affordable housing supply through non-government agencies. The information is intended to provide a catalyst for the design of appropriate local strategies and responses, rather than to offer a blueprint for reform. For this purpose, ‘lessons’ have been abstracted from the cases presented above and summarised in tables 20 to 22 below. More applied discussion of their relevance to Australia follows in chapter 6.

Table 20: Lessons for land supply and planning

Land supply and planning innovation	*Application*
Dedicating land assets	Vienna's land bank and Housing Fund plays an integral role in land acquisition and the promotion of limited profit housing. Zurich and Amsterdam also have supportive land policies.
Promoting the 'right' kind of competition between developers to foster project quality and social value	Vienna employs a competitive tendering process for affordable housing developments, which can involve collaborations for large complex sites.
Establishing clear design standards as well as feasible cost limitations	Austria's indexed, cost capped construction limits impose quality standards over modest size dwellings for low and middle income households.
Making social and environmental goals a condition of planning and project-funding approval	Switzerland's development standards and project approval process, inclusion of energy standards into social housing design, utilities and materials, promotion of further innovation via top-up loans.
Ensuring effective partnership with local government	Central government requirements for performance agreements between local government and housing associations to respond to housing needs, specifying development strategies to achieve unit targets (Netherlands, UK).

Source: The authors

Table 21: Lessons about adequate finance for supply

Financing Innovation	***Application***
Revolving public loan programs financed by a capped percentage of taxation revenue.	Under Austria’s inter-governmental agreements and Austria and Switzerland’s public revolving loans and provincial program design, housing is considered an integral part of economic policy and management. Public loans are used to stabilise housing markets and related industries and achieve appropriate housing outcomes.
Favourable household savings schemes channel investment towards social housing	France’s Livrét A revised tax-free savings circuit and the new role of private banks (since November 2008).
Jointly funded revolving funds	Switzerland’s government and membership funded revolving funds to competitively promote good design and innovation.
Privileged bond financing mechanisms	Austria’s tax-privileged bonds for a defined investment and the role of government regulating their use.
Specialised financial intermediaries with appropriate expertise	Austria’s special purpose housing banks and their competitive, specialist expertise in financing social housing.
Co-operative financial intermediaries	Switzerland’s bond-issuing co-operative and state guarantee.
Government guarantee funds to reduce the cost of private lending	Dutch WSW social housing guarantee and CFV central fund, both financed by contributions from the public and the not-for-profit housing sectors.

Source: The authors

Table 22: Lessons for appropriate regulation of affordable housing provision

Regulatory Innovation	*Application*
A clear legislative framework	Austria's legislative framework for cost rent, cost capped, not-for-profit housing.
A constructive auditing process	Austria's auditing process is implemented by the sector's own auditors which report on investment and production outcomes to provincial governments with a range of enforcement strategies.
Strategic agreements	Netherlands performance agreements with local governments and corporations.
Clear and measurable social tasks	Charters and codes, articles of association and performance agreements with measurable outputs corresponding to defined targets, constructive rectification procedures and effective enforcement measures (Austria, Switzerland and the Netherlands).
Business model for rents	Long term secure rental housing on a cost rent, cost capped basis plus a risk margin of 2 per cent. Costs reduced by discounted land, grants, lower cost loans, own equity, allowing for a range of rent levels catering to low and middle-income households. Affordability achieved by lower costs, but also demand side assistance when needed (Austria).
Allocation	Almost universal access, diverse tenant base, nomination rights based on level of public grant and loan. Choice based letting and centralised weighted waiting lists (NL and UK) reflecting social task.
Building in evaluation	Good policy keeps in touch and learns by experience. Switzerland and the UK have built evaluation into program management (see also Milligan et al. 2007).
Giving a respectful role to tenants	England's tenant-focused regulatory reviews and their regulations have elevated the position of tenants. Under the new Tenants Services Authority registered social landlords are required to provide good services to their clients, using mechanisms such as specific client performance measures and reports to tenants.

Source: The authors

6 CONCLUSIONS

Australia is moving progressively to adopt a new model of affordable housing provision via not-for-profit housing organisations. These organisations develop housing projects for low and moderate income households by using a mix of public and private finance, under rules and guidelines set down in national and state government policy and regulatory frameworks.

This study, following its 2004 predecessor, has set out to document the latest developments in and primary features of this model of affordable house provision. It assesses the policy, funding and regulatory environment in which the model operates and examines key organisations and projects. To widen understanding of its potential for innovation, the emerging model in Australia has also been compared to those in other countries that have larger and more established not-for-profit housing sectors. The findings of our analysis of both Australia's emerging not-for-profit affordable housing sector and those of selected overseas countries have been summarised throughout the report and significant information about innovation has been included in key tables.

In this concluding chapter, we focus on making our assessment of the overall state of innovation and potential in this emerging industry, and discuss the implications of our findings for policy development and further research.

6.1 Overview of the state of play

6.1.1 Lessons from Australia

In 2004, there were a small number of demonstration models of affordable housing through not-for-profit entities operating in five jurisdictions, all showing promise. One of the core conclusions of the report published in 2004 was that these organisations would not develop beyond having a few showcase projects without a significant up-scaling of government effort. Thus the final report of that study argued that volume of investment and greater policy certainty would be necessary to promote growth and development of these and like organisations, and to attract private sector funding to the task (Milligan et al. 2004).

All nine state and Commonwealth jurisdictions in Australia have become involved in policy innovation for affordable housing since 2004 to a varying extent, as documented in detail in chapter 3. Researching this situation has proved to be fertile ground for comparing the impacts of different policy approaches with a view to ascertaining good practice. While all jurisdictions have something to offer by way of lessons for the future, positive or otherwise, Victoria stands alone as the jurisdiction that has taken a strategic approach to growing a strong, independent and innovative affordable housing sector. As a consequence of that state's leadership, the bulk of the growth in housing provision through not-for-profits in the last few years has occurred in Victoria. Seven of eleven current leading developers are now located there and owned 42.5 per cent of the lead group's total portfolio in 2008.

In response to the stimulus provided by the Victorian Government, housing associations in that state have restructured their organisations, invested in new skills (particularly in finance and project management capability) and demonstrated their capacity to fund and build cost-effective, good-quality, well located and well integrated affordable housing projects (as analysis presented in chapter 4 attests). While the Victorian housing associations do not have long term growth paths yet, they each have growing balance sheets, modest development pipelines and a track record with their bankers and private sector partners.

Today the more entrepreneurial members of the group of leading Victorian developers are pursuing multiple growth strategies: involving interstate (and, in one case, international) expansion; organisational mergers to build their revenue base; business diversification strategies; commercial partnerships; and higher leveraged options.

There are three key features of the Victorian plan:

- A core group of larger housing associations (eight in 2008) that are recognised by government and, increasingly, by the housing industry and financiers as primary growth vehicles for affordable housing;
- A substantial government capital investment stream that is dedicated to funding growth plans of these associations, thereby enabling them to invest in skills, buy sites, establish a development pipeline and contemplate increasingly complex projects; and
- A strong, specialised regulatory framework that has underpinned state government investment, private financing and stakeholder confidence in the sector.

The situation in Victoria contrasts with that in other jurisdictions, particularly the populous states of NSW and Queensland, which have severe affordability problems. While the original demonstration-model affordable housing companies operate well in those states, and some policy levers are in place (particularly regulation and enhancements to rent revenue streams), most aspiring developers in these jurisdictions cannot get started because they do not have an asset base to leverage and government funding has been low-volume and spasmodic. Thus, it is ironic that in early 2009, government agencies in several jurisdictions prevented opportunities to boost the capacity of aspiring not-for-profit developers by not allocating them a share of capital funds from the first round of economic stimulus package funding for social housing. The rationale seems to be that where not-for-profits have no track record in development and no sites under their control, they are deemed to be unable to work within the tight timeframes required. Clearly, a circuit breaker to this kind of reasoning is called for if Australia is to get more growth and competition happening in this promising sector. The second round of funding for social housing in the stimulus package provides an immediate opportunity for emerging and aspiring providers to gain development experience and equity to use as a foundation for future leverage. Maximum growth in social housing could be achieved by encouraging these agencies to undertake developments that are financed through a mix of capital funding, NRAS subsidies and private borrowings.

Outside of Victoria, there have been several other positive developments in the policy environment for affordable housing that are worth noting for their potential to contribute to a long term, comprehensive approach to growth. Interestingly, some of these levers are relatively undeveloped in Victoria, which has concentrated on funding, regulation and sector development. Below, we single out examples of planning policy, governance and procurement practice, which we consider to have wider implications.

We have shown throughout this report how planning tools have a key place alongside funding and regulation in promoting affordable housing goals. There are many ways in which the planning system can positively assist affordable housing development, as we discuss in chapters 2 and 3. South Australia has led good practice in Australia, defining affordable housing requirements in legislation and articulating specific targets for achieving affordable housing in major public and private developments in that state. Setting specific requirements for the inclusion of affordable housing in development areas (along with other planning incentives) when combined with an adequate funding package for development (discussed later) will enable social developers of housing to obtain easier access to development sites at more affordable prices than they could otherwise. This approach addresses major impediments that are reported to be hindering many operators currently. The potential benefits of including strong planning levers in an affordable housing policy framework have been demonstrated well in England. The use of 'Section 106 Agreements' (under planning law), whereby local authorities can negotiate with developers seeking planning permission for new private housing, has become increasingly important for adding to the stock of affordable housing (acquired mostly through housing associations), since that policy was introduced in the 1990s (Crook et al. 2006).

The second component from local practice that we highlight draws on the ACT example of a whole-of-government approach. Under the leadership of the Chief Minister's Department, the ACT Government has taken an integrated policy and administrative approach to increasing the supply of affordable housing using a local not-for-profit provider as the main delivery agency. Core components of this model (described in section 3.8) include transfer of sites with potential for higher density development from the housing authority to the provider, direct access for the provider to government owned land released by the land development agency (linked to agency targets for affordable housing provision), a long term rolling public lending facility offered to the provider by the ACT Treasury at government borrowing rates, joint government and non-government product development (initially directed at launching a shared equity product though the provider) and legislated regulatory oversight. This strategy was developed by high level government officials in close consultation with the provider and was reviewed by independent experts[62]. A multi-skilled, cross agency team located in the Chief Minister's Department is responsible for further development, implementation and monitoring of the strategy. There is also a commitment to independent evaluation. In contrast to Victoria, however, the missing element in this particular strategy has been a forward capital funding (or other subsidy) stream. Thus the ACT has not quite brought it all together, although national funding initiatives may assist in future.

Finally, in this section, which draws on lessons from practice, we highlight the importance of governments and regulators recognising cost-effective and appropriate procurement methods. Internationally proven not-for-profit procurement models have involved well run social entrepreneurial housing organisations raising finance for and developing their own purpose designed, good quality, cost-effective housing for long term use by low income tenants. As we have shown in chapter 4, the leading not-for-profit developers in Australia are starting to gain experience in delivering appropriate products that are cost-effective and have the approval of their tenants. They also show good potential to lead the way in providing waste, water and energy efficient housing and this direction could be encouraged through offering specific incentives.

6.1.2 Ideas from international practice

There are well established and varied examples of innovative approaches to developing and financing affordable housing in a range of developed countries. Broadening the lens of comparison to overseas cases has enabled us to pinpoint those elements of effective policy and innovative practice that are underdeveloped or absent in Australia but may have applications here. Chapter 5 highlights three sets of lessons relating to adequate finance, land supply and planning, and regulation.

---

[62] Two of the researchers for this study were asked to provide a professional opinion on parts of the ACT strategy.

Lessons about adequate finance for supply include:

- the role of government strategies (such as guarantees and wholesale fund raising by a specialist intermediary) in reducing the cost of private finance;
- the benefits of long term government-funding commitments;
- the importance of cost-effective government funding strategies; and
- the advantages to be gained from directing a flow of funds to larger scale, well performing and publicly accountable not-for-profit providers.

Lessons for land supply and planning, include:

- dedicating public land for affordable housing;
- using planning policies, such as inclusionary zoning, to obtain appropriate sites;
- encouraging innovation through competitions for the right to develop these sites for affordable housing (evaluated against criteria promoting quality, energy efficient designs, sustainable construction methods etc.); and
- promoting collaborative local models, such as public / private / not-for-profit partnerships.

Lessons for appropriate regulation of affordable housing provision, include:

- the need for a clear legislative framework specifying public policy goals and measurable social tasks for affordable housing developers;
- an appropriate business model to achieve cost capped limited profit development;
- making industry information publicly available and having built-in evaluation; and
- elevating accountability to tenants.

In the next section, we make some more specific suggestions about what may be needed in future in these policy domains to promote higher rates of growth in affordable housing in Australia, taking into account local institutional arrangements, policy settings and opportunities.

6.2 The way forward

Drawing on the affordable housing policy model set out in chapter 2 and our analysis of the operating environment for not-for-profit housing developers here and overseas (chapters 3, 4 and 5), below we outline specific strategies that could assist such organisations to achieve their potential as providers of affordable housing in Australia. These strategies can build on current directions but they are inter-dependent and will need to be coordinated well to achieve maximum effectiveness. A national policy and legislative framework and new institutional arrangements also will be desirable to foster a fully integrated approach.

6.2.1 Adequate finance for supply

The most pressing and significant issue facing the future growth of affordable housing supply through not-for-profits is securing a long term investment path for the organisations at the centre of this study. A substantial commitment of dedicated public funds coupled to forms of cost-effective private financing that are suited to financing an ongoing supply of affordable housing for a mix of very low, low and moderate income households will be required to address affordable housing shortages.

Presently, the largest source of funds available to stimulate growth in the not-for-profit housing sector in Australia is the National Rental Affordability Scheme (NRAS) incentive, which aims to support the addition of 100,000 dwelling units to the affordable rental supply over eight years from 2008/09.

When NRAS is allocated to not-for-profits, it can operate as either a capital grant to help meet the upfront cost of a dwelling or as a recurrent subsidy that will service the costs of private finance for ten years. Either way, it is only a partial funding mechanism that must be blended with additional sources of public and private finance. Presently, although NRAS is large scale, it is not designed or allocated in a way that will necessarily drive steady and predictable growth among larger not-for-profit organisations, for a range of reasons that we have discussed throughout the report. Some of these limitations could be addressed by the following strategies.

First, to underpin steady growth in this sector, a minimum annual allocation of NRAS incentives (say 25 per cent [63]) could be set aside for not-for-profit housing developers, as occurs with the US low income housing tax credit program (Gilmour and Milligan 2008). In the context of the government's public policy objectives, this approach can be justified on several grounds: the cost effectiveness of not-for-profit development; to capitalise on the investment in capacity building that has occurred already and to generate economies of scale benefits. Not-for-profit ownership is also the most reliable way to preserve some of this stock as affordable housing beyond ten years, and this outcome will be maximised if other directions discussed below are pursued.

Second, NRAS could be strategically linked to other sources of land and capital, at a national, state or regional level, available to not-for-profits to procure affordable housing. This approach was demonstrated by two states in NRAS Round 1 and Round 2, when NSW and SA respectively earmarked additional state-sourced funding for not-for-profit providers applying for NRAS allocations, and enabled bidders to make a single application for the combined public funding. Nevertheless, levels of funding provided in those states and elsewhere are presently too small and finite to capture significant numbers of NRAS incentives and to support the sizeable ongoing supply program that is needed (see Australian Government 2009). Thus additional sources of public funds that are capable of matching the scale of NRAS will need to be identified for the not-for-profit sector to be a significant participant in the scheme and for the growth target of 100,000 dwellings to be achieved (see below). Allocating additional dedicated resources for the not-for-profit sector under the new National Affordable Housing Agreement would be one way of achieving this.

Third, rather than individual providers attempting to raise private finance for individual projects, a cost and volume advantage could be achieved, if governments facilitated wholesale private fund raising for affordable housing (using NRAS incentives and/or other mechanisms that have been researched in Australia, such as bond financing and government guarantees). The resultant funds could then be channeled to accredited not-for-profit developers, as demonstrated successfully in other countries.

However, successful private fund raising using NRAS incentives as structured presently will not be sufficient to provide the resources needed to build a strong and viable not-for-profit housing sector. A major reason for this finding is that where NRAS projects rely predominantly on private financing, it is likely that much of the stock acquired will have to be sold after ten years to service ongoing debt on the share that is retained. While some turnover of stock after ten years may be desirable, loss of significant proportions of additional supply will work against not-for-profit providers

[63] This would amount to about 12,500 incentives over a four-year period from the current commitment to offer 50,000 incentives.

securing equity in a permanent supply of affordable housing that over time can be used to leverage additional growth, as well as continuing to be used to address future housing needs.

Funding strategies related to NRAS have been highlighted in this section because of NRAS's scale potential, and the practicality of building on an existing initiative. Beyond pragmatics, however, we are concerned that enhancements to NRAS, when combined with other existing policy settings and funding levels, will not provide a sufficient basis to establish a robust and cost-effective funding model that is capable of growing and preserving affordable housing in Australia. The growing body of research into financing affordable housing shows that the options that have been tried in Australia to date are limited and suggests that there is a need for Australian governments to rethink the total package of funding incentives and strategies that will be required to foster a substantial, viable and sustainable not-for-profit affordable housing development industry. How this is designed will determine the scale, rate and key attributes of affordable housing that can be generated. Within this package, the respective roles of dedicated long term government capital and/or recurrent funding commitments, tax incentives, government guarantees, levies and public loans should be re-evaluated[64]. Many examples of international efforts in this field have been reviewed in chapter 5 or discussed in previous reports that have been cited throughout this study. However, assessing the right mix of potential financing options both to create opportunities in the current financial and economic context and to secure long term growth in the Australian context will require additional specialised research. This is an urgent task, if the positive outcomes demonstrated by a few not-for-profit developers so far are to be expanded and extended across Australia in a robust and sustainable manner.

6.2.2 Comprehensive policy and regulatory regimes for affordable housing

Implementation of a comprehensive and coherent approach to affordable housing provision in Australia requires the participation of all spheres of government, as well as the private market and not-for-profit sector (Milligan 2005). As argued by France from examining other public governance modes (2007, p6.) that were designed to drive change across spheres and agencies of government, '… new ways of organising and collaborating – new ways of governing – will be required'. In this context, governing refers to 'public governance' which is defined as inclusive processes for decision-making and coordinating action, which can be distinguished from 'corporate governance' of individual housing providers. France (2007) defines the three principles of good public governance as:

- Leadership and commitment: There is high level direction and accountability and leaders and other key stakeholders are committed to achieving outcomes;
- Coordination and collaboration: Action and decision making is coordinated and participation of stakeholders is facilitated; and
- Accountability and transparency: Parties are accountable for their actions and decision-making is transparent.

In the context of the Australian federation, while a unifying national framework is desirable for many reasons – including to promote scale, give more opportunities to entrepreneurial providers and to attract private investors – there are important leadership and implementation roles to be conducted at both Commonwealth and

[64] See Allen Consulting Group (2004) and ANHNRC (2001) for useful earlier work in the Australian context.

state levels. States have led the way in policy reform in this area to date and each individual jurisdiction has different opportunities to expand. Collectively, states control major resources and levers that can contribute to growth, such as how their land management agencies and planning policies are applied to the task, and the potential for providers to obtain government owned land. There is also the concern that a single national framework is put at risk through political change over time. Therefore, careful consideration needs to be given to settling national and state roles in steering the growth of an affordable housing industry.

This study confirms a need to pursue innovative public governance approaches to policy formulation and implementation to support the development of not-for-profit affordable housing models and partnerships. In particular, the need for both national leadership and for joined up government action across treasuries (as funders and fund raisers) and housing, land development and planning agencies, together with greater engagement of local government, have been highlighted as key areas for greater collaboration.

Beyond governments, coordinating networks that promote regular and ongoing dialogue between policy-makers, funders, providers and regulators of affordable housing will also be critical. Establishing a strategically oriented, multi-stakeholder Affordable Housing Industry Council with responsibility for high level policy and funding advice, guiding industry development and review, and partnership building would be one means by which such collaboration could be fostered and steered. Periodic national conferences that are concerned with developments in the industry would be another, complementary measure. Support for national and state based peer networks such as Power Housing or those facilitated by provider peak bodies would be a third component.

Policy

There is evidence of an historical lack of clarity about and consistency in the vision for, and social goals of, an expanded affordable housing industry centred on not-for-profit providers across Australia. In some jurisdictions, such as Queensland and Tasmania, the growth provider's role has been as one of substitute for the core business of public housing, especially for high needs client groups. In others, such as the ACT, 'affordable housing' is envisaged as complementing social housing by offering products that cater predominately to a client group that cannot access public housing, often referred to as moderate income households and key workers. In Victoria and NSW ideas that affordable housing providers should offer a continuum of options for a mix of low to moderate client groups have been more to the fore.

In addition to these varying state views is the idea being promulgated under national plans for social housing reform that not-for-profit organisations could play a much larger role in the provision of social housing, perhaps progressively supplanting or providing a contestable alternative, rather than merely supplementing or complementing, state-run delivery of social housing and other forms of assistance.

Each of these visions has distinctive implications for growth levels and paths, rent setting and subsidies (especially as many forms of subsidies for housing in Australia are provider or sector specific – see Phillips et al. 2009) and outcomes for tenants, as well as having broader implications, such as for public governance, asset management, urban renewal, leverage opportunities etc. For example, in the absence of clarity, key areas of current confusion that we identify include: the extent of leverage that governments can reasonably expect providers to achieve; and what the minimum subsidy level for (different forms of) affordable housing needs to be.

Answers to these questions will follow from clarity about what outcomes are being sought.

Therefore, logically the first question to be addressed when formulating an enhanced national framework for affordable housing is: what are the vision and key social goals for the affordable housing industry? Desirably, such direction setting would take into account both the significant level of demonstrated unmet need for social housing and the affordability problems of those in the gap between where social housing is targeted and the private market – in other words, the aim should be to assist a range and mix of lower income households with a variety of products. Second, in keeping with the social goals set, core requirements applying to providers will need to be defined and set down in the regulatory code (and possibly legislation). These should cover:

- core standards (principally about housing design and location, construction, maintenance and service delivery);
- rent setting and affordability benchmarks;
- eligibility and allocation policies;
- rights to occupancy;
- any corporate governance requirements that are beyond the corporate regulator's jurisdiction (such as tenant accountability);
- business limitations (e.g. on scope of activities) and financial risk management (e.g. liquidity requirements); and
- ownership and preservation rules for housing assets.

Once these purposes, rules and standards are settled and financing packages put in place, providers can adopt business models that will optimise their ability to contribute to expansion of the sector and regulators can supervise, benchmark and compare their performance. International examples of the framework under which large not-for-profit delivery systems operate provide a useful reference for this task – for example, the operating environment for Austria's limited profit rental companies, described in chapter 5.

Regulation

Regulation of affordable housing developers is at a cross roads in Australia, with a number of strategic issues under consideration. The regulatory design should follow from having policy clarity about the social goals for the industry. A key operational issue then to be resolved urgently is whether primary responsibility for regulation will sit with the Commonwealth, the states and territories, or be shared. A national regulatory and registration system has a number of potential benefits including: creating a level playing field for providers; addressing the wide variation that we have found in state based regulatory systems; reducing barriers to providers operating across jurisdictional borders; simplifying involvement of national financiers and developers; and providing national data for accountability and benchmarking purposes. A key issue for the design of a national system is whether it includes all not-for-profit housing providers or only larger, self-funding providers. An inclusive national system may have the benefits of economies of scale, but the disadvantages of diluting a focus on larger providers and imposing additional compliance costs on small organisations. Introduction of a separate national system for larger, more entrepreneurial providers would need to resolve issues such as: the threshold for inclusion in the national system; pathways from state to national regulation for emerging and aspiring developers; and the inefficiencies of duplication of effort. It will be important that these and other policy and implementation issues be considered carefully through an open review process that engages all the key stakeholders and encourages public dialogue and debate. This is an example of an area where a national industry council could provide guidance and leadership.

Several second-order issues will also need to be addressed, relating to scope and form of the regulatory code; mechanisms for protecting long term use of property assets; modes of supervision; intervention powers and intersection with other regulatory systems. These should be the subject of more detailed consideration, informed by the outputs of this study.

A third priority is to support the strengthening of corporate governance through development of tools and templates tailored specifically for the industry in critical areas such as risk management, financial literacy, business planning and reviewing board performance. Opportunities should be promoted for continuing skills and professional development for directors and CEOs, including through linkages with organisations such as the Institute of Company Directors, to ensure they stay abreast of best practice in corporate governance and changes in their legal responsibilities. Specific consideration should also be given to how best to engage community members and tenants in organisations to promote accountability and long term community benefits.

Charitable status of providers

During the course of the study a major issue arose about the ongoing availability of charitable status to affordable housing providers that offer services to a mix of low to moderate income households. As discussed in chapter 3, a temporary solution to this issue has been found – specifically to enable NRAS to be taken up in the not-for-profit sector until June 2009 – but the issue remains unresolved beyond that time. The persistence of this problem is a clear example of where a lack of policy commitment and certainty is holding up progress in the sector. Similar issues have emerged for not-for-profit affordable housing sectors around the globe as local agencies have moved towards more entrepreneurial businesses, typically involving developing for a wider variety of households and cross subsidisation practices (Oxley et al. 2008).

The review of Australia's tax system that commenced in 2008 and the Productivity Commission Inquiry into Charities also underway are each likely to have significant implications for the way the not-for-profit housing sector develops and is funded and structured in future, so close monitoring of and engagement in these processes beyond the duration of this study will be required to assess their implications.

6.2.3 Proactive planning and land supply policies

Overall, significant innovations in planning for affordability in general and dedicated affordable housing in particular have emerged in specific jurisdictions over the past five years. There has been a wave of planning reform across most jurisdictions with the objective of simplifying planning systems and relieving barriers to residential land release. Such reform processes are supported at the national level and the Commonwealth's Housing Affordability Fund is intended to encourage, resource and reward local authorities (and developers) that are able to demonstrate and quantify systemic improvements in planning procedures and the provision of infrastructure. Improvements to the operation of the planning system and the process of residential land release may have broad affordability benefits by alleviating any land supply blockages and reducing costs associated with lengthy approval times or uncertainty. Such reform will assist developers of residential land, including affordable housing developers. However, there is now potential to extend this reform process from its broad affordability agenda to provide more specific support for dedicated affordable housing inclusion.

Some jurisdictions have commenced such reform already. Examples include the articulation of affordability targets (South Australia, the Northern Territory), legislative change to embed affordable housing requirements within planning schemes (South Australia, Queensland), and the resurgence of government land authorities charged with a strong affordability agenda (Queensland and the ACT). Nevertheless, and despite a period of significant urban renewal and development initiatives at the metropolitan level, inclusion of affordable housing within planning schemes and new developments remains the exception rather than the rule. Even major new urban renewal and release areas, such as Sydney's Growth Centres and Melbourne's Dockland development, though presented in the rhetoric of housing affordability, have failed to include significant provision for dedicated affordable housing development.

Below, we discuss key areas where planning and land supply approaches should be strengthened under a national framework for growth of affordable housing.

Use of government land and the role of land development agencies

While several jurisdictions now have provisions to ensure that affordable housing is a consideration when government land is released to market, in general, jurisdictions lack a systematic approach to requiring affordable housing inclusion when government land is sold, meaning that providers have unbalanced access to government land or that one-off site-specific arrangements for affordable housing inclusion have to be negotiated. The exceptions are South Australia and the Northern Territory, where the 15 per cent targets are being used as a benchmark to guide the expected level of affordable housing inclusion. Given that such targets also apply to the release of private land (particularly in South Australia), there is potential to extend them for the disposal of government sites. Criteria such as affordable housing need, the capacity and desired housing density for the site, and project viability would provide a more appropriate approach to achieving affordable housing inclusion on government land.

Other possible options that could be explored to assist affordable housing developers to overcome land cost and access barriers include long term leasing of public land, deferred purchase of government sites and transfer of existing public housing redevelopment sites to not-for-profit developers to enable cost-effective renewal processes. On that point we note in passing that the potential for not-for-profit developers to become involved as major partners in complex renewal projects has not been realised in Australia yet. However, this has been a key success area for established not-for-profits, for example, in the USA, the UK and the Netherlands. Not-for-profits can bring similar benefits to redevelopment projects as they offer new development. Additionally, by being locally anchored and remaining in situ after the redevelopment phase completes, they can play a core role as place-makers contributing to both short and longer term goals of community building. It can be expected that some of the larger, more entrepreneurial not-for-profits will move into this function in the foreseeable future.

In terms of implementation there is a strong case for government land development agencies to be given a larger role (defined in their objectives) in securing and releasing strategic sites for affordable housing development. However, this role must be coordinated with relevant activity in other government agencies, not pursued as a separate ad hoc direction, as has tended to occur in some jurisdictions.

Planning reform

We noted above that many of the Australian states and territories have been simplifying their planning systems and seeking to reduce red tape or other barriers to the supply of new residential land. This reform agenda, supported by the Commonwealth through its Housing Affordability Fund, is underpinned by broad affordability goals, but lacks a specific focus on supporting the affordable housing sector. Future iterations of the Housing Affordability Fund might promote more specific reform – for instance, supporting state and local governments in establishing inclusionary housing provisions. Other options include requiring the inclusion of dedicated affordable housing within proposals, or a higher weighting for proposals from affordable housing developers. Alternatively, the Fund might offer a means to alleviate expenses not easily covered in the land development process – such as site remediation costs – as a way of lowering the costs associated with urban renewal and new housing land release within well located areas.

Planning concessions for affordable housing providers

Some jurisdictions have introduced special provisions to enable state housing authorities, and in some cases, affordable housing developers, to bypass local planning regulations and processes. While these provisions can be extremely important, during interviews, developers of affordable housing expressed the view that community acceptance of their developments is often greater if they follow existing planning requirements. Nevertheless, lengthy or repeated community appeals remain a particular problem in some jurisdictions, such as Victoria, as the development timelines for some of the case study projects show.

Rather than offering specific procedural relief for affordable housing developers, it is preferable to ensure that systemic planning reform processes result in swift approvals for all appropriate housing developments. However, the special social benefits represented by affordable housing projects warrant some consideration. Therefore, concessions on application fees, infrastructure contribution requirements and density or design bonuses linked to housing type and impact remain appropriate and under-utilised ways to support affordable housing developers without undermining established community planning standards.

Design of affordable housing provisions within planning schemes

Australian planning schemes have limited experience with the design and implementation of affordable housing inclusion requirements. However, the evidence that does exist supports a preference for affordable housing contributions to be provided on-site where feasible, rather than as a cash payment. This is particularly so for larger scale developments. On-site affordable housing provision achieves the goal of social inclusion and helps to ensure that affordable housing developers are not competing on the open market for access to well located land. Nevertheless, in some cases, where the scale of the development is small, financial payments can provide a useful alternative and may amount to a sizeable contribution over time, which affordable housing developers are then able to utilise during times of land market downturn.

6.2.4 Capacity building

In the broadest sense, the key capacity building issue to be resolved so that the not-for-profit housing development sector can expand is to increase the financial resources that are directed to appropriate providers. Experience in Victoria particularly, but also across jurisdictions with lone organisations operating in this area, shows that when funding is assured, organisational learning and skills development follow. It is necessary to reiterate this point at a time when resources to drive stronger investment in procurement through the sector have not been secured (and therefore other capacity building initiatives could be wasted). However, it is not intended to suggest that there are not a variety of other strategies that should be pursued to enhance the functioning of the sector. Some of these may need to be led by governments, but organisations themselves or peer networks can and should lead others.

We have suggested that a national industry council could formulate a strategic approach to different kinds of capacity building activities, ranging from enhancements to corporate governance through training and skills development to development of professional support services. However, we also consider that having strong state based plans would be desirable to take closer account of historical legacies, state priorities, the diversity of operating environments and different housing market opportunities and risks across the Australian federation. Thus, the right balance between national guidance and more devolved decision making will need to be struck in this role also.

While we do not want to pre-empt a full needs assessment process, we wish to make a couple of particular suggestions that are grounded in our assessment of priorities.

The first proposal, which would address an immediate impediment to growth, is to offer a larger, well performed community housing organisation (that we have described as an emergent or aspiring developer) some working capital to enable them to employ qualified development staff for twelve months, and to make procurement plans, including possible site purchases. After initial projects are secured and the threshold of 'doing development' is crossed, continuing costs can be met from revenue returns, or a line of credit, and capitalised into project costs. The housing budget included in economic stimulus funding offers an opportunity to fund such an initiative.

A second suggestion, with longer term significance that needs government support to initiate, would be to establish a tertiary qualification in affordable housing, financing development and asset management to complement the housing management qualification, currently offered by Swinburne University of Technology.

Better information and evaluation

A subset of capacity building issues in any industry relates to how much commitment is made to, and resources set aside for, a continuing role for research and development activities.

This study – only the second of its kind in Australia – has raised many issues that will benefit from further in-depth and specialised research. If a major strand of the Australian housing system in future involves the not-for-profit sector then it may be timely for the Australian Housing and Urban Research Institute (AHURI) to introduce a new research theme (or modify an existing theme) to promote more specialised research on this sector. Such a theme should be concerned with the array of issues canvassed in this study, as framed in figure 1.

One very practical output of this study is a classification tool for a diversified housing delivery system that could be used to keep abreast of the key operating parameters of multiple providers, especially in a time of rapid change. Much of the core information for this simple tool can be gleaned from scrutiny of agency annual reports and web sites. It would be desirable if, from here on, an agency such as the Australian Institute of Health and Welfare, which reports on other housing activities, was responsible for developing a national data base and reporting annually on key parameters and developments. A national framework for sharing information about innovative projects could also be encouraged, perhaps through the proposed web based national clearinghouse (section 4.3.2). As well, the survey instrument used in this study could be administered periodically via the clearinghouse. As the sector grows, more data and knowledge-sharing tools could also be encouraged, following good practice overseas

A previous study by three of the authors of this report in 2007 recommended that a systematic, separately funded program of evaluation of emerging affordable housing initiatives in Australia was needed and proposed a national evaluation framework and priority areas for review (Milligan et al. 2007). That report has not been acted upon, but the argument still applies. The evaluation framework stressed the importance of having a tiered suite of evaluations covering policies, providers and projects. We stress that adequate evaluation of the latter two elements will be an important aspect of maintaining high standards of practice in the industry. To our knowledge, of the eleven lead developers, only Brisbane Housing Company has been subject to independent evaluation (KPMG 2005).

As we indicated in section 4.5.5, current data collections on outcomes for clients of community housing programs are likely to exclude many of the innovative projects and providers that are emerging in Australia, because these fall outside of program definitions that are used to determine the coverage of those collections. There is an immediate need for these established data collection systems to be reviewed to ensure they include, meaningfully, the experience of residents of affordable housing projects.

Finally, in terms of the importance of research and information provision to healthy industry development, we highlight the potential role of regulators. Much of the extensive information that is provided to regulators for accountability purposes can have other important functions, such as to develop industry benchmarks, to promote greater efficiency among providers and to guide investors about the industry's performance and capability. Compared to the role played by international housing regulators, little information has been forthcoming from regulators in Australia so far. Much more information should be released publicly in aggregate and/or confidentialised forms, as appropriate, to help guide the industry's future.

In all of the aspects discussed in this section – resourcing, policy-setting, driving innovation and efficiency, regulation, capacity building and research and development – the needs of our emerging affordable housing industry are conceptually no different to those of any other growth industry. We hope this study contributes to a better understanding of the great potential of this nascent industry in Australia and that better-informed decisions on future directions can result from it.

REFERENCES

Aalbers, M. 2008 ‘The Financialization of Home and the Mortgage Market Crisis’, Competition and Change 12 (2) 148–166

ABC News 2009 ‘Henderson Announces move to limit rents’, ABC News website, 4th March http://www.abc.net.au/news/stories/2009/03/04/2507262.htm; accessed March 6 2009

ACT Government 2007 Affordable Housing Action Plan at http://www.actaffordablehousing.com.au/resources/pdfs/action_Plan.pdf, accessed February 25 2009

ACT Government 2008 ‘Steps in the Right Direction’; Affordable Housing Action Plan Progess Report, at http://www.actaffordablehousing.com.au/resources/pdfs/progress_report.pdf, accessed February 12 2009

ACT Government. 2008 ‘Welcome to More Affordable Housing’, assorted website materials. Online at http://www.actaffordablehousing.com.au; accessed July 1 2008.

Aedes 2008 Letter to the Dutch cabinet from the housing industry concerning the impact of the credit crisis on the housing market and consequently for the economy and society, signed by Bouw Nederland, Woonbond, NEPROM, NVB-Bouw, Vereniging Eigen Huis, Aedes, Vastgoed Belang, IVBN, NVM and municipalities of Rotterdam, Amsterdam, and Utrecht. 10 December

Apgar, W. 1990 ‘Which Housing Policy is Best?’ Housing Policy Debate 1(1): 1-32

ARTD Consultants 2007 Proposal for a national regulatory framework for affordable housing, unpublished paper

AHNRC (Affordable Housing National Research Consortium) 2001 Policy options for stimulating private sector investment in affordable housing across Australia, AHNRC and Australian Housing and Urban Research Institute (AHURI), Melbourne

Allen Consulting Group 2004 Better housing futures: stimulating private investment in affordable housing, Sydney: Brotherhood of St. Laurence.

ALP (Australian Labor Party) 2007: various media statements on housing. Available at www.alp.org.au/media, accessed March 28 2008.

ALP 2007, 2007 National Platform, see Ch 6, Nation Building; available at http://www.alp.org.au/platform/chapter_06.php#6national_affordable_housing_agreement; accessed March 1 2009

Amann, W. 2006 ‘Rental Housing for Middle Income Groups: a challenge for PPP-models’, Power Point Presentation, http://info.worldbank.org/etools/docs/library/221461/Amann_final.ppt, accessed April 6 2009

Amann, W. and Mundt, A. 2006. The Austrian System of Social Housing Finance, Institute for Real Estate Construction and Housing Ltd, IIBW, Vienna.

(ASX) Australian Stock Exchange 2003 Corporate Governance Council. Principles of Good Governance and Best Practice Recommendations. Australian Stock Exchange Ltd, Sydney

Australian Government. 2008a. 'Making housing affordable again', Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA). Online at http://www.facsia.gov.au/internet/facsinternet.nsf/vIA/housing_affordable/$File/making_housing_affordable_again.pdf; accessed June 20 2008.

Australian Government. 2008b 'National Rental Affordability Scheme: National Mandatory Requirements and Weighted Criteria'. Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA), at http://www.facsia.gov.au/internet/facsinternet.nsf/housing/nras_mandatory.htm ; accessed July 2 2008

Australian Government 2008c, Housing Affordability Fund; the Guidelines, Australian Government, Canberra, at: http://www.fahcsia.gov.au/internet/facsinternet.nsf/vIA/housing/$file/haf_guidelines.pdf accessed February 16 2009

Australian Government 2008d National Rental Affordability Scheme Act 2008, No 121, 2008. 232, Canberra: Attorney General's Department http://www.comlaw.gov.au/ComLaw/Legislation/Act1.nsf/0/99FAF01114D0BABECA2575120077138F/$file/1211008.pdf

Australian Government 2008e National Rental Affordability Scheme Regulations 2008, Select legislative Instrument 2008 No. 232, Canberra: Attorney General's Department http://www.comlaw.gov.au/ComLaw/Legislation/LegislativeInstrument1.nsf/0/688C5EF614F5F19FCA25750F0014622D/$file/0818543A081121EV.pdf

Australian Government 2009 National Housing Supply Council, State of Supply Report 2008, Commonwealth of Australia, Canberra

Bank Austria Wohnbaubank 2008 Geschäftsbericht 2007, Bank Austria Wohnbaubank, Vienna

Barker, K. 2004 Delivering Stability: Securing our Future Housing Needs. Review of Housing Supply, HM-Treasury, London, at http://www.hm-treasury.gov.uk/d/barker_review_report_494.pdf. accessed April 6 2009

Barraket, J. (ed.) 2008 Strategic Issues for the Not-for-profit Sector, UNSW Press, Sydney

Bauer, E. 2004 Austria, Chapter 3 in Gruis, V. and Nieboer, N. (eds.) Asset Management in the Social Rented Sector: Policy and Practice in Europe and Australia, Kluwer Academic Publishers, Dordrecht, London and Boston

Bengtsson, B. Annaniassen, E. Jensen, L. Ruonavaara, H. and J. Sveinsson, 2006 Varför så olika? Nordisk bostadspolitik i jämförande historiskt ljus (Why so Different? Nordic housing policies in comparative historical light), Égalité, Malmö

Berry, M. 2006a Housing affordability and the economy: A review of macroeconomic impacts and policy issues, Research Paper 4, National Research Venture 3: Housing affordability for lower income Australians, AHURI, Melbourne

Berry, M. 2006b Housing affordability and the economy: A review of the labour markets impacts and policy issues, Research Paper 5, National Research Venture 3: Housing affordability for lower income Australians, AHURI, Melbourne

Berry, M. 2003 'Why is it important to boost the supply of affordable housing in Australia – and how can we do it?' Urban Policy and Research 21(4) 413-435

Berry, M. 2002 New approaches to expanding the supply of affordable housing in Australia: an increasing role for the private sector, AHURI, Melbourne

Berry, M. Whitehead, C., Williams, P. and Yates, J. 2004 Financing Affordable Housing: A Critical comparative review of the United Kingdom and Australia, Final Report no. 72, AHURI, Melbourne

Bisset, H. and Milligan, V. 2004 Risk Management in Community Housing, Report for the National Community Housing 2004 Forum, at http://www.nchf.org.au/publications.html

Boelhouwer, P. 2007 'The future of Dutch housing associations', Journal of Housing and Built Environment, 22:383-391

Boelhouwer, P. 2003 'Social housing in the Netherlands: the road to independence', Housing Finance International 17(4):17-21

Boelhouwer, P. Boumeester, H. and van der Heijden, H. 2006 'Stagnation in Dutch housing production and suggestions for a way forward', Journal of Housing and the Built Environment, 29 (3) pp. 219-314

Brandsen, T. van de Donk, W. and Putters K. 2005 'Griffins or Chameleons? Hybridity as a Permanent and Inevitable Characteristic of a Third Sector', International Journal of Public Administration, 28:749-765

Bratt, R. 2006 'Community Development Corporations: Challenges in Supporting a Right to Housing', ch 16 in Bratt, R. Stone, M. and Hartman, C. (eds.) 2006 A Right to Housing; Foundation for a New Social Agenda, Temple University Press, Philadelphia

Burke, T. and Pinnegar, S. with Phibbs, P., Neske, C., Gabriel, M., Ralston, L. and Ruming, K. 2007 Experiencing the housing affordability problem: blocked aspirations, trade-offs and financial hardships, Research Paper 9, National Research Venture 3: Housing affordability for lower income Australians. AHURI, Melbourne.

Cave, M. 2007 Every Tenant Matters, The Cave Review of Social Housing Regulation, Department for Communities and Local Government: London

Centre for Affordable Housing 2008 NSW Affordable Housing Guidelines, http://www.housing.nsw.gov.au/NR/rdonlyres/6A758B23-C2B4-4D5F-855C-6A82A3AB71F8/0/NSWAHGuidelines.pdf

Centre for Affordable Housing 2009 National Rental Affordability Scheme (NRAS) Round One. at http://www.housing.nsw.gov.au/Centre+For+Affordable+Housing/NRAS/; accessed March 6 2009

CECODHAS, 2005 Social Housing in the EU: Review of Statistics and Policies by Country, Report to the European Commission Brussels: CECODHAS

CECODHAS, 2007, Housing Europe 2007: Review of Social, Co-operative and Public Housing in the 27 EU Member States. Brussels: CECODHAS

CLG (Communities and Local Government, Department). 2007 'Homes for the future: more affordable, more sustainable'. Green Paper, CLG, London

CIH (Chartered Institute of Housing) 2006 The future regulation of the affordable housing sector in England, Chartered Institute of Housing, London

CoA (Commonwealth of Australia). 2003. Housing Assistance (Form of Agreement) Determination 2003, Commonwealth Government of Australia, Canberra

COAG (Council of Australian Governments) 2007 Best Practice Regulation: A guide for Ministerial Councils and national standard setting bodies, http://www.innovation.gov.au/General/IndPol-SILS/Pages/PrinciplesandGuidelinesforNationalStandardSettingandRegulatoryActionbyMinisterialCouncilsandStandardSettingBodies.aspx, accessed March 6 2008

COAG 2009 National Partnership Agreement on the Nation Building and Jobs Plan, http://www.coag.gov.au/coag_meeting_outcomes/2009-02-05/docs/20090205_nation_building_jobs.pdf; accessed March 1 2009

Conijn, J 2008 Hoofdstuk 6 Subsidiëring van de woonconsumptie, een zinloos schip van bijleg in F.J.H. Don (ed) Agenda voor de woningmarkt, Koninklijke Vereniging voor de Staathuishoudkunde, Preadviezen, Rotterdam

Crook, A., Monk, S., Rowley, S. and Whitehead, C. 2006 'Planning gain and the supply of new affordable housing in England: Understanding the numbers', The Town Planning Review, 77(3): 353 – 373

Czasny¸M and T Bständig 2008 'Housing Conditions in Vienna – Changes as Mirrored in the Austrian Mikrosensus', Vienna Housing Research, accessed April 1 http://www.wohnbauforschung.at/en/Projekt_Mikrozensus.html

Czerny, M., Weingärtler M., and M Dusek 2007 Housing Construction as an economic tool of economic prosperity, Österreichisches Institut für Wirtschaftsorschung (WIFO), Vienna

Dalton, T. 1999 Making Housing Policy in Australia: Home Ownership and the disengagement of the State, unpublished PhD thesis, RMIT, Melbourne

Department of Finance and Deregulation 2009 Commonwealth Property Disposals Policy, at: http://www.finance.gov.au/property/lands-acquisition/docs/commonwealth-property-disposals-policy.pdf, accessed April 16 2009

Department of Housing and Works 2008 A legislative framework for Community Housing: Proposed amendments to the Housing Act 1980 and request for comments, The Government of Western Australia

DHS (Department of Human Services) 2006a Towards an Integrated Victorian Housing Strategy: A framework to address our future housing challenges. State of Victoria, Department of Human Services, Melbourne.

DHS 2006b Eligibility, Targeting and Rent Affordability Framework for Properties funded under the Growth Strategy, policy document, DHS, October.

DHS 2007 Eligibility, Targeting and Rent Affordability Framework for Properties funded by the Office of Housing, policy document version 3, DHS, December

DOP (Department of Planning) 2009 State Environmental Planning Policy (Infrastructure) Amendment (Schools, Affordable Housing, and Metro Rail) 2009, Planning Circular PS09-07 at: http://www.planning.nsw.gov.au/planningsystem/pdf/ps09_007_sepp_infrastructure_amendment.pdf, accessed April 16 2009

DEHLG (Department of Environment, Heritage and Local Government). 2007 'Delivering Homes, Sustaining Communities: Statement on Housing Policy'. Dublin: DEHLG

Deutsch, E. 2007 The Process of Diffusion through the social rented sector, Research Group EOS, University of Technology, Vienna. Paper presented to the Housing Economics Working Group, 15-16th February, Glasgow

EPRA (East Perth Redevelopment Authority) 2009, EPRA Revitalising Urban Places; Affordability, at http://www.epra.wa.gov.au/about/initiatives/affordability, accessed on February 15 2009

EPRA (nd), EPRA Residential Development Guidelines, EPRA, accessed online at http://www.epra.wa.gov.au/documents/Planning_Policy_1.2_Residential_Development.pdf, accessed on February 15 2009

Flanagan K. 2008 Going for growth: The pros and cons of using community housing associations to increase housing supply, Social Action and Research Centre, Anglicare Tasmania.

FOH (Federal Office of Housing) 2006 Human Settlement in Switzerland, Grenchen: Federal Office of Housing

Förster, W. 2006 Housing in the 20th and 21st Centuries, Prestel, Vienna

Förster, W. undated, '80 Years of Social Housing in Vienna', http://www.magwien.gv.at/english/housing/promotion/pdf/socialhous.pdf, accessed April 10 2009

Förster, W. 2000 'Management and Finance of Urban Renewal in Vienna', Lecture, Thematic Workshop 3, Urban Renewal: The Impact of investments in Public Space, Urban Technology Network, 16-19 November, Thessaloniki and Xanthi

France, L. 2007 Potential governance arrangements for a future Australian affordable housing system, Report, AHURI, Melbourne

Gabriel, M., Jacobs, K., Arthurson, K. and Burke, T. with Yates, J. 2005 Conceptualising and Measuring the Housing Affordability Problem, Research Paper 1, National Research Venture 3 'Housing Affordability for Lower Income Australians', AHURI, Melbourne

Galster, G. 1997 Comparing Demand side and Supply side Housing Policies: Sub-market and Spatial Perspectives, Housing Studies, 12(4): 561–577

Gapp Consulting Services 2004 Corporate Governance in Community Housing, Managing the Challenges Posed by Growth, Report for the National Community Housing Forum, Gapp Consulting Services Pty Ltd; at http://www.nchf.org.au/publications.html; accessed March 10 2009

GBV 2008 Austrian Federation of Limited profit Housing Associations – Audit Federation http://www.gbv.at/Themen/ORGANIZATION%20SUMMARY%202008.pdf; accessed April 15 2009

Georgiou, D 2004 What Makes Boards Work? Good Practice Guide 1, Cooperate Governance Series, New South Wales Federation Housing Associations, Sydney

Ghekiere, L. 2008 'European Perspectives 2009-2014, Issues of the French presidency', Union sociale pour l'habitat, September, Paris

Gilmour T. 2009. Network Power: An International Study of Strengthening Housing Association Capacity, PhD thesis submitted, University of Sydney

Gilmour, T. 2008 'Should Australia follow England and give more power to social housing tenants?' Around the House, Issue 75, Shelter NSW: Sydney

Gilmour, T. and Milligan, V. 2008 'Stimulating institutional investment in affordable housing in Australia, insights from the USA'. Paper presented at the 3rd Australasian Housing Researchers Conference, Melbourne, June 18-20

Government of South Australia. 2005 Housing Plan for SA, Gov. SA

Government of South Australia. 2006a Planning Strategy for Metropolitan Adelaide, full document, Planning South Australia; accessed online 11/10/2007 at http://www.planning.sa.gov.au/index.cfm?objectId=C360F80C-F203-0D46-A937DB60F29658F0

Government of South Australia. 2006b Department of the Premier and Cabinet Circular: PC 114 – Government Real Property Management

Government of South Australia 2007 Determination of Criteria for the Purposes of the Concept of Affordable Housing Act SA 2003, Notice under Regulation 4 of the South Australian Housing Trust (General) Regulations 1995 http://www.governmentgazette.sa.gov.au/2007/september/2007_067.pdf, accessed March 25 2009

Government of South Australia (no date) Affordable Rental Projects – Grants through the Affordable Housing Innovations Fund (AHIF), Housing SA, Department of Families and Communities. http://www.chcsa.org.au/docs/Final%20Call%20for%20Proposals%20Document%20Affordable%20Rental%20Housing.pdf, accessed March 25 2009

Government of Western Australia 2007, 'Improving Access to Affordable Housing and Land, Budget 2007–08 Decisions for Our Future,' Fact Sheet, Government of WA, Perth

Gurran, N. 2008 'Affordable Housing; A Dilemma for Metropolitan Planning?' Urban Policy and Research, 26(1), pp. 101-110.

Gurran, N. Milligan, V., Baker, D. and Bugg, L.B. 2007 International Practice in Planning for Affordable Housing: Lessons for Australia. Positioning Paper, AHURI, Melbourne

Gurran, N., Milligan, V., Baker, D., Bugg, L.B. and Christiansen, S. 2008 New directions in planning for affordable housing: Australian and international evidence and implications. Final Report, AHURI, Melbourne

Harloe, M. 1995 The People's Home: social rented housing in Europe and America, Blackwell, Oxford

Hauri, E. 2004 'Financing the non-profit housing in Switzerland', Federal Office of Housing, Grenchen, UNECE conference on Social Housing, 28-30 November, Vienna

Hills, J. 2007 Ends and Means: The Future Roles of Social Housing in England, Economic and Social Research Council Centre for Analysis of Social Exclusion, Case Report 34, London. At http://www.sticerd.lse.ac.uk/dps/case/cr/CASEreport34.pdf, viewed March 2007

Holmans, A., Scanlon, K. and Whitehead, C. with Shilling, J and Hills, J. 2002 Policy options to promote affordable housing, Cambridge Centre for Housing and Planning Research.

Housing Corporation 2007 Cave review of affordable housing regulation: response of the Housing Corporation

Housing NSW 2007 Planning for the Future: new directions for community housing in NSW 2007/8 – 2012/13, NSW Government

Housing NSW 2008 Regulatory Impact Statement: Housing regulation 2009

Housing Registrar 2007a Our Regulatory Framework, State of Victoria

Housing Registrar 2007b Intervention Guidelines for Registrar of Housing Agencies, State of Victoria

Housing Registrar 2007c Performance Standards for Registered Housing Agencies, State of Victoria

Housing Summit 2007 A national affordable rental incentive: outline of a proposal by the Australian Council of Social Service, Australian Council of Trade Unions, Community Housing Federation of Australia, Housing Industry Association Ltd and National Shelter. Available at www.housingsummit.org.au, accessed 3rd March 2008

HPLGM (Housing, Planning and Local Government Ministers) 2005 Framework for National Action on Affordable Housing. 4 August 2005, Australia

HURIWA (Housing and Urban Research Institute Western Australia) 2008, (Draft) Town of Vincent Affordable Housing Strategy, HURIWA, Curtin University of Technology, Bentley WA. Accessed 15th Feb. 2009

HUD (Department of Housing Urban Development, Washington) 2006 'Programs of HUD'. at http://www.huduser.org/whatsnew/ProgramsHUD05.pdf; accessed November 20 2006

IMF (International Monetary Fund) 2008 World Economic and Financial Surveys, World Economic Outlook, Housing and the Business Cycle, April, International Monetary Fund, Washington

Jacobus, R. and Lubell, J. 2007 'Preservation of Affordable Homeownership: A Continuum of Strategies', Center for Housing Policy Policy Brief, http://www.ncbcapitalimpact.org/uploadedFiles/downloads/JacobusLubelloptions4-07.pdf. Accessed March 3 2008

Kalmár, M., Kernbeiss, G., Löffler, R., Städtner, K., Wagner-Pinter, M. 2008 'Affordability of Housing Supply across Vienna 2007', Vienna Housing Research www.wohnbauforschung.at/en/Projekt_Affordability_Housing_Supply.html, accessed April 1 2009

Kemeny, J. 1995 From Public Housing to Social Renting: Rental Policy Strategies in Comparative Perspective, Routledge, London

Kemeny, J. 2001 'Comparative Housing and Welfare', Journal of Housing and the Built Environment, 16 (1) 53–70

Kemeny J., Kersloot J., and Thalmann, P. 2005 'Non-profit housing influencing, leading and dominating the Unitary Rental Market: Three Case Studies', Housing Studies, 20 (6): 855–72

Kemp, P. 2000 'The role and design of income related housing allowances', International Social Security Review, 53 (2): 43–57

Kennedy, R. & Co, 2001 A Regulatory Framework for Community Housing in Australia, National Community Housing Forum

Koebel, C.T. (ed) 1998 Theory, Research and Policy for Non-profit Housing, Shelter and Society Series, State University of New York, Albany

Kofler, A. undated. Housing Policies in Austria, The Interdisciplinary Centre for Research in the Social Sciences, Vienna

KPMG. 2005. Evaluation of the Brisbane Housing Company. Report commissioned by Queensland Department of Housing. http://www.brisbanehousingcompany.com.au/documents/BHC_Evaluation_Report_Final_December_2005_000.pdf; accessed August 4, 2006

Lawson, J. 2009 On the Swiss Limited profit model, European Journal of Housing Policy 9 (1) 45-67

Lawson, J. 2008 'The Rolls Royce and the Mini Cooper: Limited profit Housing in Switzerland and Austria' paper presented to ENHR Comparative Housing Policy working group Istanbul October 23-24 available on line http://www.york.ac.uk/inst/chp/enhr2008/LawsonElsingaENHRIstanbul2008.pdf accessed April 10, 2009

Lawson, J. 2006 Critical Realism and Housing Research, Routledge, London and New York

Lawson, J. 2004 Home Ownership and the Risk Society – Marginality and Home Purchase in the Netherlands, Ministry of Housing and NETHUR, Utrecht

Lawson, J. and Elsinga, M. 2008 'Beyond financial continuity: regulating the social task of social housing providers in Austria and the Netherlands', paper presented to ENHR Comparative Housing Policy working group Istanbul October 23-24 available on line http://www.york.ac.uk/inst/chp/enhr2008/LawsonElsingaENHRIstanbul2008.pdf accessed April 10, 2009

Lawson, J. and Milligan, V. 2007 International Trends in Housing and Policy Responses, Final Report 110, AHURI, Melbourne

Ludl, H. 2004 Housing Co-operatives in Austria, Austrian Federation of Limited Profit Housing Associations (GBV), Vienna

Lupton, M. Lomax, A. and Duggan, G. 2008 A Real Choice for Tenants? Housing Corporation and Tribal Group PLC, London

MacLennan, D. 2005 Housing Policies: New Times, New Foundations, Joseph Rowntree Foundation, York

Magnusson-Turner, L. 2008 'Social Housing and Segregation in Sweden', in Scanlon, K. and Whitehead, C. op. cit.

Malpass, P. 2001 'The Restructuring of Social Rented Housing in Britain: Demunicipalization and the rise of registered social landlords', European Journal of Housing Policy, 1(1): 1-16

Malpass, P. 2008, 'Histories of Social Housing a Comparative Approach', in Scanlon, K and Whitehead, C. op. cit.

McNelis, S., Hayward, D. and Bisset, H. 2002 A private retail investment vehicle for the community housing sector. Final Report, AHURI, Melbourne

Milligan, V. 2005 Directions for Affordable Housing Policy in Australia: Outcomes of a Stakeholder Forum, National Research Venture 3: Housing Affordability for Lower Income Australians. Research Paper 2, AHURI, Melbourne

Milligan V. and Lawson, J. 2008, Rebalancing housing policies in developed countries– a move towards supply? paper presented European Network of Housing Researchers Conference, Shrinking Cities, Sprawling Suburbs, Changing Countrysides, Dublin 6-9 July, available from the authors v.milligan@unsw.edu.au and j.m.lawson@tudelft.nl

Milligan, V. and Phibbs, P. 2005 Post Delivery Review: Affordable Housing Development Gungahlin for Community Housing Canberra Ltd (CHC). Final report to stakeholders. Canberra: CHC, mimeo

Milligan, V. and Phibbs, P. with Gurran, N. and Fagan, K. 2007 Evaluation of Affordable Housing Initiatives in Australia, National Research Venture 3: Housing Affordability for Lower Income Australians. Research Paper 7, AHURI, Melbourne

Milligan, V. and Randolph, B. 2009 Australia, chapter 2 in Gruis, V., Tsenkova, S. and Nieboer, N. (eds.) Management of Privatised Social Housing: International Policies and Practice, Wiley-Blackwell, London

Milligan, V., Phibbs, P., Fagan, K. and Gurran, N. 2004 A Practical Framework for Expanding Affordable Housing Services in Australia: Learning from Experience, Final Report 61, AHURI, Melbourne

Ministère de l'emploi, du travail et de la cohésion sociale, 2005 Plan de cohésion sociale, at http://www.cnle.gouv.fr/IMG/pdf/plan_cohesion_sociale_20_programmes.pdf; accessed April15 2009

Mullens, D. 2008 'Organising Non-Profit Housing: Some European Experiences', keynote address to Australian National Housing Conference, February, Sydney

National Affordable Homes Agency 2007 Prospectus, National Affordable Homes Program, Housing Corporation, at www.housingcorp.gov.uk/upload/pdf/NAHP_2008-2011Prospectus%2C_new.pdf, accessed April 1 2009

NCHF (National Community Housing Forum) 2003 'Community Housing Regulation: manage the risks, develop the industry', National Community Housing Forum

Neuwirth, G. 2004 'How residential construction banks are refinancing to raise construction capital in Austria', Bank Austria Creditanstalt, Mimeo, 30 September

Nicholson, G. 2007 'Corporate Governance – what is it?' Study Guide https://wiki.qut.edu.au/pages/viewpage.action?pageId=5248691 accessed April 14 2009

Norris, M. and Shiels, P. 2004. Regular National Report on Housing Developments in European Countries, The Housing Unit, Dublin

NSWFHA (New South Wales Federation Housing Associations) 2003 Future Directions in, Corporate Governance, Community Housing Corporate Governance Project, NSWFHA, Sydney

NSW Government. 2005 'City of Cities: A Plan for Sydney's Future', at: http://www.metrostrategy.nsw.gov.au/dev/uploads/paper/introduction/index.html

NSW Government. 2008 Housing Regulations 2009, Public consultation draft, mimeo

Nygaard, C., Berry, M. and Gibb, K. 2007 'The Political Economy of Social Housing Reform – A Framework for Considering Decentralised Ownership, Management and Service Delivery in Australia', Urban Policy and Research 26 (1): 5–21

Oxley, M. 2007 'Social Housing versus Housing Allowances: what determined the result?' Paper to Housing Market Dynamics Working Group, ENHR Conference Sustainable Urban Areas Rotterdam, The Netherlands, 25–28 June

Oxley, M. 2008 The Financing of Affordable Housing, Draft Report to UN HABITAT, De Montfort University, Leicester UK and Delft University of Technology, The Netherlands

Oxley, M., Elsinga, M., Haffner, M. and Heijden, H. 2008 'Competition and Social Housing in Europe', Economic Affairs, 28 (2): 31-36

Parliament of Australia 2008 National Rental Affordability Scheme Bill Second Reading Speech, 24 September, Hansard

Phibbs, P. & Young, P. 2005 Housing Assistance and Non-Shelter Outcomes. Final Report, AHURI: Melbourne.

Phillips, R Milligan V. and Jones, A. 2009 Integration and Social Housing in Australia: Theory and Practice. Final Report, AHURI, Melbourne

Pinnegar, S., Milligan, V., Quintal, D., Randolph, B., Williams, P. and Yates, J. 2008 Supporting home ownership through shared equity and shared ownership. Positioning Paper, AHURI, Melbourne

Planning SA 2008a Planning SA Guide; Affordable Housing Policy in Development Plans, April 2008, Primary Industries and Resources SA, Adelaide

Planning SA 2008b Better Development Plans; Making Policy Easier, Version 4, Government of South Australia, Adelaide

Plibersek, T. 2009a 'Room for More: Boosting Providers of Social Housing', Speech by the Minister for Housing to the Sydney Institute, Sydney, March 19

Plibersek, T. 2009b Housing Ministers progress housing reforms. at http://www.tanyaplibersek.fahcsia.gov.au/internet/tanyaplibersek.nsf/content/housing_report_27mar09.htm, accessed April 21 2009

Politique de Ville 2007 Taking actions for the residents of deprived urban areas: a users' guide, Délégation Interministérielle a la ville, Paris

Premier of Victoria 2009, Victoria's Plan for Housing, Premier of Victoria, Australia, at http://www.premier.vic.gov.au/state-of-government-intentions/victorias-plan-for-housing, accessed March 10 2009

Pritchard, R and Cant, D. 2008 'Institutional Investment in Residential Housing'. Paper presented to the National Housing Conference, Sydney, February

Putnam, R. 2000 Bowling Alone: The Collapse and Revival of American Community, Simon and Schuster, New York

Queensland Government, Office of Urban Management (OUM). 2005 South East Queensland Regional Plan 2005-2026, Queensland Government, Brisbane.

Queensland Department of Housing. 2004 Affordable Housing Design Guidelines Queensland Government, Brisbane, available at: http://www.qchc.asn.au/Portals/0/Uploads/Affordable%20Housing/aff_hsg_des_guidelines.pdf, accessed July 1 2008

Queensland Department of Housing 2009 Designing and Delivering Affordable Housing, at: http://www.housing.qld.gov.au/partnershipps/affordable/developing.htm, accessed February 12 2009

Rabinovich, A. and Poschet, L. 2007 Evaluation socio-économique de la réalisation de deux immeubles avec le soutien de la CODhA à Genève, Rapport de recherche pour l'OFL et cahier de recherche du REME Federal Polytechnic School of Lausanne, Lausanne

Rawlinsons 2008 Rawlinsons construction cost guide for housing, small commercial and industrial, 16th edition, Perth

Rawlinsons 2004 Rawlinsons construction cost guide for housing, small commercial and industrial, 12th edition, Perth

Rudd, K., Swan, W. and Plibersek, T. 2007 New directions for affordable housing. Addressing the decline in housing affordability for Australian families, Australian Labor Party. Available at www.alp.org.au/media, accessed March 28 2008

Scanlon, K. and Whitehead, C. 2008 Social Housing in Europe II, LSE, London

Schaefer, J-P. 2009 Jean-Pierre Schaefer, Principle Economist Caisse de Depot, France, email correspondence with J Lawson, March 17

Schaefer, J-P. 2008 'Commitment to social housing in France', Presentation to London School of Economics, December

Schaefer, J-P. 2003 'Financing Social Housing in France', Housing Finance International, June

Schwartz, A. 2006 Housing Policy in the United States: an Introduction, Routledge, New York

Seelig T., Thompson A., Burke T., Pinnegar S., McNelis, S. and Morris, A. 2009 Understanding what motivates households to become and remain investors in the private rental market, AHURI Final Report 130, Melbourne

SGS Economics and Planning. 2008 Housing Associations: Framing a Growth Strategy, unpublished report commissioned by Community Housing Federation of Victoria

Shelter NSW 2008 A state environmental planning policy that enables local affordable housing schemes, Shelter Campaign Background Paper , 23 October, 2008.

Steinberg, R. 1998 The Theory of the Nonprofit Sector in Housing, ch 2 in Koebel, op.cit.

Stephens, M. 2007 'Mortgage Market Deregulation and its Consequence', Housing Studies, 22 (2): 201-220

Stephens, M. 2008 Locating Chinese Housing Policy in an International Comparative Context: A Preliminary Investigation, paper presented to ENHR Comparative Housing Policy Working Group Istanbul October 23–24, available from the author

Stone, M. 2006 'Housing Affordability: One-Third of a Nation Shelter Poor', ch. 2 in Bratt et al., op cit.

SVW, 2007 Charter of the non-profit housing organisations of Switzerland [in German], Swiss Housing Federation

Swack, M. 2006 'Social Financing', ch 12 in Bratt et al, op cit.

Turner, B. and Whitehead, C. 2002 'Reducing Housing Subsidy: Swedish Housing Policy in an International Context' Urban Studies 39 (2): 201-217

Tutin, C. 2008 'Social Housing another French Exception?' paper presented to ENHR Comparative Housing Policy Working Group Istanbul October 23-24, available from the author

ULDA (Urban Land Development Authority) 2008 ULDA Affordable Housing Strategy November 2008, at http://www.ulda.qld.gov.au/_dbase_upl/Aff%20Housing%20Strat%20Nov%2008.pdf; accessed February 12 2009

VicUrban 2006 VicUrban Sustainability Charter: Creating Thriving Communities, VicUrban, Melbourne

VROM (Dutch Ministry of Housing, Spatial Planning and the Environment) 2009a Recent developments, Ministry of Housing, Spatial Planning and the Environment, at www. vrom.nl/pagina.html?id=37460, accessed April 1 2009

VROM 2009b Sustainable Construction, Key to the Dutch Government's Green Crisis Package, Ministry of Housing, Spatial Planning and the Environment, at www. vrom.nl/pagina.html?id=39180, accessed April 1

VROMraad 2007 Tijd voor Keuzes Access: perspecteif op een woningmarkt in balans, Advies 064, VROM Raad, Den Haag, at http://www.vromraad.nl/Download/Advies64_tijd-voor-keuzes4.pdf, accessed April 10 2009

Weber, G. and Meyer-Cech, K. 2001 Bodenpolitik in Wien am Beispiel des Wiener Bodenbereitstellungs und Stadtermeuerungsfonds (WBSF) [Urban and Regional Planning ground policy Vienna Land Procurement and Urban Renewal Fund for council housing], Universität für Bodenkultur, Wien

Whitehead, C. 2003 'Financing Social Housing in Europe', Housing Finance International, 17(4):3-8

Whitehead, C. and Scanlon, K. 2007 Social Housing in Europe, LSE, London.

Wood, G. A. 2001 Promoting the supply of low income rental housing. Urban Policy and Research. 19(4):425-440

Yates, J. and Gabriel, M. 2006 Housing Affordability in Australia National Research Venture 3: Housing affordability for lower income Australians, Research Paper 3. AHURI Melbourne.

Yates, J. and Milligan, V. Forthcoming. 'Policies that Support Access and Affordability of Housing', commissioned entry for Elsevier International Encyclopedia of Housing and Home, in progress

Yates, J. and Milligan, V. with Berry M., Burke T., Gabriel M., Phibbs P., Pinnegar S and Randolph B. 2007 Housing Affordability: a 21st century problem, Final Report, National Research Venture 3: Housing affordability for lower income Australians. AHURI, Melbourne

Yates, J. and Whitehead, C. 1998 'In Defence of Greater Agnosticism: A Response to Galster's Comparing Demand side and Supply side Housing Policies', Housing Studies 13 (3):415-423

APPENDICES

APPENDIX 1: INFORMANTS

Australia

Name	*Agency*
Tanya Armstrong	Port Phillip Housing Association, Victoria
David Beattie	Southern Training Employment and Placement Solutions Inc. Tas.
Jan Berriman	Melbourne Affordable Housing, Victoria
Steve Bevington	Community Housing Ltd, Victoria
Hal Bisset	Affordable Housing Solutions, Victoria
Craig Brennan	Community Housing, Canberra
Mark Bresnehan	Southern Training Employment and Placement Solutions Inc. Tas.
Mercia Bresnehan	Housing Tasmania
David Cant	Brisbane Housing Company, Queensland
Bruce Churchill	Department of Justice, Tasmania
Jenny Clark	Department of Housing, Queensland
Jared Collins	Department of Local Government, Housing and Sport, NT
Sue Crafter	Common Ground Adelaide Ltd, SA
Carol Croce	Community Housing Federation of Australia
Jason Cubit	Gold Coast Housing Company, Queensland
Malcolm Downie	Adelaide City Council, SA
Leigh Eagles	Brisbane Boarders (now Four Walls), Queensland
Garry Ellander	Department of Housing, WA
Phil Fagan-Schmidt	SA Affordable Housing Trust
Maria Fidge (and staff)	Office Community Housing, SA
Kathleen Flanagan	Anglicare, Tasmania
Rebecca Foote	Department of Housing, Queensland
Darren Garbin	HomeStart Finance, SA
Sally Gibson	Department of Housing and Community Services, ACT
Deborah Georgiou	Office of Community Housing NSW
Kathleen Gregory	Foundation Housing Ltd, WA
Derris Gillam	Tasmanian Affordable Housing Ltd
David Hall	FaHCSIA
Sue Ham	FaHCSIA
Glenn Hardwick	Housing Tasmania
Anthony Hardy	Office of the Regulator of Housing Agencies, Victoria
John Hayes	Dept. of Justice, Tasmania
James Hooper	Adelaide Workmen's Homes, SA
Ken Horsham	Community Housing Canberra, ACT
George Housakas	Urban Communities Ltd, Victoria
Andrew Larkin	Blue CHP Ltd, NSW
Michael Lennon	Housing Choices Australia, Victoria
Rob Leslie	Yarra Community Housing, Victoria

Name	*Agency*
John McInerney	Common Equity Rental Housing Ltd, Victoria
Lisa-Marie Mail	FaHCSIA
Ken Marchingo	Loddon Mallee Housing Services & PowerHousing, Victoria
Mary Mickan	Tasmanian Affordable Housing Ltd
David Moeller	Affordable Housing Solutions & Port Phillip Housing Association, Victoria
Clive Morgan	Office of Community Housing, NSW
Eleri Morgan Thomas	Mission Australia & Blue CHP Ltd, NSW
John Mumm	Community Housing Ltd, Victoria
Stuart Munnich	Department of Local Government, Housing and Sport, NT
Tricia O’Donovan	Affordable Housing Innovations Unit, Department of Families and Communities, SA
Rebecca Oelkers	Brisbane Housing Company
Greg Peel	Community Banking, Bendigo Bank, Victoria
Tony Parsons	Care Housing, Churches of Christ Care, Queensland
Richard Perkins	City West Housing, NSW
Elda Robinson	HomeStart Finance, SA
Mario Roccisano	Loddon Mallee Housing Services, Victoria
Fiona Ryan-Clarke	Lend Lease Corporation
Margaret Shanahan	FaHCSIA
Karine Shellshear	Association to Resource Housing Cooperatives (NSW) & Community Housing Ltd
Nazha Saad	St George Community Housing Ltd, NSW
Justin Shadiac	Affordable Housing Innovations Unit, Department of Families and Communities, SA
Roxane Shaw	Registrar of Community Housing, NSW
Paul Somerville	Loddon Mallee Housing Services, Victoria
Gary Spivak	City of Port Phillip & Port Phillip Housing Association, Victoria
Ciaran Synnott	Community Housing Council of SA
Toni Vine Bromley	NT Shelter
Mark Wall	Department of Housing, Queensland
Peter White	Housing Innovations Unit, Department of Human Services, Tas
Matthew Woodward	Unity Housing Company, SA
Gary Workman	Yarra Community Housing, Victoria
Patrick Yeung	Community Housing Ltd (NSW Manager)
Robin Zakharov	Department of Housing, Queensland

Overseas

Experts below provided valuable information for the overseas case studies presented in this report, those with an asterisk* were interviewed by Lawson.

Name	***Organisation***
Amann, Wolfgang *	Institute for Real Estate, Construction and Housing IIBW, Vienna
Bauer, Eva *	Austrian Association of Social Housing Providers, GBV, Austria
Boelhouwer, Peter	OTB TU, Delft, The Netherlands
Bosvieux, Jean*	National Housing Information Board (ANIL) France
Deutsch, Edwin	Technical University Vienna, Austria
Ecker, Karl* and Neuwirth, Günther *	Subsidised and SME Real Estate, Real Estate Department Bank Austria
Elsinga, Marja	OTB TU Delft The Netherlands
Förster, Wolfang *	City of Vienna, MA 50, Department for Housing Research and International Relations
Gurtner, Peter *	Federal Office of Housing, and since 2008, Swiss Bond Issuing Co-operative (EGW) Switzerland
Hauri, Enrst *	Federal Office of Housing, Switzerland
Hoekstra Joris	OTB TU, Delft, The Netherlands
Hofner Andreas *	International Network for Urban Research and Action, Kraft Werk LPHA, Switzerland
Koch,Herbert*	Wien Sud (LPHA), Austria
Kratschmann, Astrid *	Erste Bank Bausparkasse, Head of Department Housing Central and Eastern Europe
Kunz, Michael	Land and Housing Committee, UN Economic Commission for Europe
Ludl, Herbert *	Sozial Bau, Austria
Lugger, Klaus	Austrian Association of Social Housing Providers, Neue Heimat, Tirol, Austria
Matznetter Walter	Applied Geography, University of Vienna, Austria
Oxley, Michael	OTB TU, Delft, The Netherlands
Schaefer , Jean Pierre	Caisse des Dépôts et Consignations, France
Schwitter Stephan *	Swiss Housing Federation, Switzerland
Sommer, Andreas	Federal Ministry of Economy and Labour, Austria
Springler, Elizabeth *	Vienna University of Economics and Business, Austria
Thalmann, Philipe *	Research Lab on Economics and Management of the Environment, Swiss Federal Institute of Technology, Lausanne, Switzerland
Tutin, Christian*	Economics, University of Paris, France

APPENDIX 2: COMPARISON OF KEY REGULATORY CHARACTERISTICS

A: Regulatory Regimes

	Vic	NSW	Qld	SA	WA	ACT
Legislation enacted	2005	2007	2003	1991	Planned 2009	2008
Tiers of registration	**2** Housing association Housing providers	**4** Growth provider Housing provider Housing manager Small housing manager	**2** Registered provider Affordable housing provider	**2** Housing association Cooperative	**3** Growth provider Preferred provider Registered provider	**2** Affordable housing provider Community housing provider
General Requirements						
Reporting / Monitoring	√		√		√	√
Standards / Code / Requirements	Performance. standards	Regulatory Code	Prescribed. requirements	Detailed in legislation	Prescribed. requirements	Standards
Approval for constitution changes	√			√		√
igibility for registration						
Not-for-profit company	√		√		√	√
Charitable status			√		√	√
Housing objectives	√		√		√	√
Wind up provisions	√		√		√	
Powers / Interventions						
Require information	√	√	√	√	√	√
Inspection	√	√	√	√	√	
Compliance notice / directive	√	√	√	√	√	
Appoint Board members	√					√
Displacement Corp. Act	√					√
Appoint administrator / manager	√		√	√		√
Wind up	√			√		√
Deregister	√	√	√	√	√	√
Require merger	√					
Other	Tenant complaints				Tenant complaints	
State interest in land	Register interest on title	N/A	Mortgage	Statutory charge	Caveat	
Power to transfer assets	legislation	contract/mortgage	contract/mortgage	legislation	Contract/charge	legislation

Source: The authors

B: Regulatory codes

Jurisdiction	*Regulation Approach*	*Specific Provisions*
Victoria	Performance standards for registered housing agencies	Governance Management Probity Financial viability Tenancy management Housing management and maintenance Risk management
New South Wales	Regulatory Code	Fairness and tenant satisfaction Sustainable tenancies and communities Asset management Sound governance Standards of probity Protection of government investment Efficient and competitive delivery Development projects
Queensland	Prescribed requirements	Financial management and accountability Governance Service delivery Tenancy matters Other property matters
South Australia	Not applicable. Primarily refers to financial arrangements, and interventions	
Western Australia	Prescribed requirements	Conduct of operations (probity, financial management, accountability, management, governance, HRM terms and conditions for subletting) Delivery of services to clients (eligibility, priority, allocation, information, disputes) Other matters (tenancy management, rent, property management & maintenance, risk management, policies, reporting to SHA)
ACT	Standards	To be developed, covering: -Tenancy management -Tenant rights and participation -Governance and organisational management -Management systems including HRM

APPENDIX 3: LEAD DEVELOPERS BUSINESS FEATURES 2008

Organisation	*Main housing functions*	*Main target groups*	*Rent policy (affordable housing)*	*Geographical coverage*	*Directions*
City West Housing http://www.citywesthousing.com.au/	Development, ownership and management of affordable housing	25 per cent very low income, 45 per cent low income and 30 per cent moderate income	Variable income related rents (25 per cent to 30 per cent household income, depending on income group)	Inner city, as prescribed in planning schemes	Seeking amendments to constitution to extend geographic coverage and ability to initiate other programs
Community Housing Canberra http://www.communityhousingcanberra.com.au/	Development, ownership and management of affordable housing	Target income range $32,000 - $56,000	74.9 per cent market rent	ACT	Significant up-scaling of procurement program following ACT policy changes Developing a shared equity product
Melbourne Affordable Housing http://www.melbourneaffordablehousing.com.au/	Development, ownership and management of affordable housing Management of community & supported housing	Public housing eligible households plus moderate income households (up to $84,000)	Varies by target group	Melbourne, Geelong	Joining the HCA group
Brisbane Housing Company http://www.brisbanehousingcompany.com.au	Development and ownership of affordable housing For-profit mixed tenure/ mixed use development For-profit	Public housing eligible households (prescribed by Qld government) Focus on single people	74.9 per cent market rent	Affordable housing Inner Brisbane (7 kms radius) For-profit development services arm – Queensland	Diversifying into commercial land development and mixed use residential/commercial projects and joint ventures with private developers to cross

Organisation	***Main housing functions***	***Main target groups***	***Rent policy (affordable housing)***	***Geographical coverage***	***Directions***
	development services				subsidise affordable housing Recently commenced management of newly completed projects.
Foundation Housing http://www.foundationhousing.org.au	Development, ownership and management of affordable housing (incl. key worker-housing initiative) Management of community housing, crisis accommodation and lodging houses	Public housing eligible clients	Income-related	Perth and regional WA, especially the North	Consolidation under growth provider status
Community Housing Ltd http://www.chl.org.au/home/default.jsp	Development, construction, ownership and management of affordable housing Management of community & transitional housing Project-management & construction services Employment-generation and	Range of very low to moderate income	CRA plus 25 per cent of other income	National – affordable housing projects so far in Victoria, Tasmania, NSW, South Australia	Offices and projects in South America following initial international engagement in East Timor, commenced in 2004, on a commercial basis Seeking registration in WA and ACT Major NRAS bidder – received 507 offers in Round 1

Organisation	*Main housing functions*	*Main target groups*	*Rent policy (affordable housing)*	*Geographical coverage*	*Directions*
	community development				
Port Phillip Housing Association http://www.ppha.org.au	Development, ownership and management of affordable housing Management, community & supported housing	Low income residents of City of Port Phillip in trust properties	CRA plus 25 per cent of other income	Melbourne	Consolidation and regional expansion
Loddon Mallee Housing Services http://www.lmhs.com.au	Development, ownership and management of affordable housing Management community, supported & transitional housing	1/3rd statutory income, 1/3rd part statutory income, 1/3rd private income across portfolio	74.9 per cent to 90 per cent market rent, depending on dwelling quality and resident capacity to pay	Victoria, especially regional	Consolidation and regional expansion In house policy capacity
Yarra Community Housing http://www.ych.org.au	Development, ownership and management of affordable housing + management community & transitional housing	High proportion of singles and homeless people	CRA plus 25 per cent of other income	Melbourne, Geelong	Consolidation and regional expansion
Common Equity Housing http://www.cehl.com.au	Development of housing for member cooperatives Administration and resourcing of	At least 50 per cent public housing eligible, in practice, higher	CRA plus 25 per cent of other income	Victoria	Mixed use developments; private sector partnerships

Organisation	*Main housing functions*	*Main target groups*	*Rent policy (affordable housing)*	*Geographical coverage*	*Directions*
	tenant cooperatives plus performance reporting				
Housing Choices Australia http://www.hcau.org.au	Development, ownership and management of affordable housing and supported housing for people with disabilities	25 per cent people with disabilities, including complex needs 75 per cent low and moderate incomes	Varies by target group	Victoria	Aspiring national provider Enhancing development capacity via merger with MAH Trial shared equity product for people with disabilities and their families Partnering with housing associations to obtain tenancies for people in their projects with disabilities

Source: surveys, interviews, annual reports and websites

APPENDIX 4: AFFORDABLE HOUSING PROJECT AWARDS

PROVIDER	NAME	ADDRESS	AWARDS
Brisbane Housing company	Dorothy and Moyia O'Brien Place	Warry St, Fortitude Valley	2006 UDIA QLD Award for Excellence Finalist (Affordable Housing Category)
	R K Mcguire Place	Guthrie St, Paddington	2005 UDIA QLD Award for Excellence Winner (Affordable Housing Category)
	Ramsgate St	Ramsgate St, Kelvin Grove	2006 UDIA QLD Award for Excellence Winner (Affordable Housing Category)
	Hartopp Lane	Hartopp Lane, Kelvin Grove	2007 UDIA QLD Award for Excellence Finalist (Medium Density Housing Category) 2007 UDIA QLD Award for Excellence Winner (Affordable Housing Category
	Tom Burns Place	Musk Avenue, Kelvin Grove	2008 UDIA QLD Award for Excellence Finalist (Affordable Housing Category)
	Oxenham Apartments	Danby Lane, Nundah	2008 UDIA QLD Award for Excellence Winner (Affordable Housing Category)
Community Housing Canberra	City Edge	Bluebell St, O'connor, ACT	2003 HIA Australian Specialised Accommodation Project of the Year – Winner 2002 HIA Specialised Accommodation Project of the Year – Winner 2002 HIA Quality Urban Design & Sustainability – Winner 2002 MBA Housing Division – Special Commendation 2002 MBA Special Purpose Dwelling Open – Winner 2002 MBA Environmental Best Practice – Winner 2002 HIA Best Environmental Practice – Finalist 2002 HIA Medium Density Project – Winner
City West Housing		Mary Ann St, Ultimo	1995 RAIA (NSW) Merit Award for Architecture
		Macarthur St, Ultimo	1996 RAIA Merit Award 1996 RAIA National Environment Award
Port Phillip Housing Association	The Regal	Little Grey St, St Kilda	Royal Australian Planning Institute 2000 National Awards for Excellence in Planning Category: Community based Planning for the Housing Program. National Awards for Excellence in Community Housing 2000: Overall Excellence Award
	John Cribbies	Albion St,	National Awards for Excellence in Community Housing, 2001

PROVIDER	*NAME*	*ADDRESS*	*AWARDS*
	House	Balaclava	Excellence in Asset Management.
	Inkerman Oasis	Inkerman St and Greeves St, St Kilda	National Royal Australian Institute of Architects Special Jury Award: Inkerman Oasis.
	Excelsior Hall	Princes St, Port Melbourne	Australian Timber Design Awards 2006: For Excelsior Hall rooming house fewer than two categories, Residential Class 2 and Environmental Commitment.
	Woodstock	Marlborough St, Balaclava	Royal Australian Institute of Architects Planning Institute Australia – Landscape Institute of Australia 2006 Awards: Under the combined Urban Design category for Woodstock rooming house and Balaclava Walk/Station design development. Victorian Royal Australian Institute of Architects Awards 2007 for Woodstock Rooming House under two categories, Interior Architecture Award and Residential Architecture-Multiple Housing Award.
Common Equity Housing Ltd		Harmony Village, Shepparton	Winner ‘best integrated housing development‘ in the 2007 Excellence in Housing Awards issued by the MBA

Source: Organisation web sites, accessed April 2009

AHURI Research Centres

Queensland Research Centre

RMIT Research Centre

Southern Research Centre

Swinburne-Monash Research Centre

Sydney Research Centre

UNSW-UWS Research Centre

Western Australia Research Centre

AHURI

Australian Housing
and Urban Research Institute

Australian Housing and Urban Research Institute

Level 1 114 Flinders Street, Melbourne Victoria 3000

Phone +61 3 9660 2300 Fax +61 3 9663 5488

Email information@ahuri.edu.au Web www.ahuri.edu.au