



Government led innovations in affordable housing delivery

Inquiry into increasing affordable housing supply: evidence-based principles and strategies for Australian policy and practice

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Acronyms and abbreviations used in this report

ACT	Australian Capital Territory
ACTPLA	ACT Planning and Land Authority
AHAP	Affordable Housing Action Plan (ACT)
AHURI	Australian Housing and Urban Research Institute Limited
AVP	Asset Vesting Program (NSW)
BHF	Better Housing Futures program (Tas)
BPSC	Better Places Stronger Communities program (SA)
C-M-O	Context-Mechanism-Outcome
CEO	Chief Executive Officer
CHC	Community Housing Canberra
CHL	Community Housing Limited
CHP	Community Housing Providers
COAG	Council of Australian Governments
CRA	Commonwealth Rent Assistance
GFC	Global financial crisis
GROH	Government Regional Officers' Housing (WA)
LAHC	(NSW) Land and Housing Corporation (NSW)
LDA	Land Development Agency (ACT)
LRI	Logan Renewal Initiative (Qld)
LRS	Land Rent Scheme (ACT)
NAHA	National Affordable Housing Agreement
NFP	Not-for-profit
NHHA	National Housing and Homeless Agreement
NRAS	National Rental Affordability Scheme
NSW	New South Wales
SHI	Social Housing Initiative
VHC	Venture Housing Company
WA	Western Australia

Glossary

A list of definitions for terms commonly used by AHURI is available on the AHURI website www.ahuri.edu.au/research/glossary.

Executive summary

Key points

- This project examined state government-led innovations in affordable housing¹ through analysis of two state-level strategies (the Western Australian Affordable Housing Strategy and the ACT Affordable Housing Action Plan and two state-level programs (the NSW Asset Vesting Program and the East Kimberley Transitional Housing Program).
 - Some programs, such as National Rental Affordability Scheme (NRAS) and state housing transfers, appear across states while other innovations, such as shared equity housing and low deposit home loans, are much less common. Some states have been more innovative than others.
 - The availability of Federal Government funding has proved critical in delivering affordable housing at scale, for example, NRAS and social housing delivered as part of the Nation Building Initiative.
 - The case studies evaluated during this research demonstrate how innovative affordable housing strategies and programs rely on strong political leadership, adopt a whole-of-housing industry approach to consultation and implementation and communicate objectives effectively to all stakeholders.
 - A strategy or program must be resilient. It must be able to survive a change of government and must be able to maintain its initial momentum through continual reinforcement of key messages and regular communication of achievements.
 - Strategies should be run from a central agency with a flexible organisational structure that can respond quickly to opportunities arising from housing market conditions and unexpected funding sources.
 - Effective leadership and innovative individuals are key components of a successful strategy/program and the most effective leadership creates the conditions within which innovation can flourish.
-

Key findings

State governments have implemented a number of innovations to deliver affordable housing. Innovations covered in this research include established strategies and programs that deliver affordable housing outside traditional public and community housing models of provision. Aside from the use of the planning system (covered by Gurran et al. 2017a), innovations include financial tools delivering low deposit home loans to eligible households (e.g. Keystart and

¹ Innovations outside the planning system which are covered in the companion project Gurran, Gilbert et al. 2017a.

Homestart); land cost reductions (ACT land rent scheme); partnerships with the community housing sector through asset transfer and management agreements (most states) and partnerships with the private sector delivering either lots within subdivisions or mixed tenure developments that include an element of affordable housing.

Some programs, such as the National Rental Affordability Scheme (NRAS) and state housing transfers, appear across states while other innovations, such as shared equity/ownership housing and low deposit home loans, are much less common. The table below describes examples of established innovations across states.

Table 1: Established state-level affordable housing delivery schemes

	ACT	NSW	NT	QLD	SA	Tas	VIC	WA
National rental affordability scheme	X	X	X	X	X	X	X	X
Transfer programs	X	X	X	X	X	X	X	X
Land Rent	X							
Partnerships and joint ventures with private sector	X		X					X
Subsidised rental housing for key workers			X	X				X
Low deposit home loans					X	X		X
Shared-equity schemes	X				X	X		X
Transitional housing								X
Affordable land	X							X

Source: Authors.

This research explored what makes a robust affordable housing strategy or program, highlighting the lessons that can be learnt from state governments that have successfully delivered affordable housing. It employs an evaluation methodology covering two state-level affordable housing strategies and two state-level programs focusing on the key drivers behind the strategy/program, its outcomes and innovations.

The **WA Affordable housing strategy** brought together a collection of existing affordable housing initiatives, such as the Keystart home loan program, with opportunities generated by new Federal Government money including NRAS and units delivered as part of the social housing initiative. The innovation came largely from the strategy itself; drawing together existing programs and developing the housing continuum as a way of communicating the need for affordable housing supply right across this continuum. In addition, the development of the strategy helped to expand an existing program of collaboration with the private sector opening up opportunities for joint ventures, leveraging affordable housing opportunities. Vision and leadership within the Housing Authority created conditions for innovation and developed a more market-orientated approach to affordable housing delivery. At the time of strategy development and launch (2009–10) the Housing Authority was able to take advantage of weak housing market conditions, securing good deals with developers and builders which maximised public investment outcomes often delivering an equity stake in projects subsequently used to deliver shared ownership opportunities. These early successes led to further innovative joint ventures with the private sector and created the basis for an ongoing program of private sector collaboration on top of existing affordable housing programs. Strong leadership creating the conditions for innovation, quality communication within and outside the organisation, a range of complimentary skillsets and broad industry consultation were the key elements driving the success of the strategy that delivered on its target of 20,000 dwellings five years early.

The **East Kimberley Transitional Housing Program** (WA) evolved from an existing program developed by the Wunan foundation. Taking advantage of Federal Government funding available as part of the nation building initiative, Wunan partnered with the WA Housing Authority to deliver 40 dwellings across a range of dwelling types in Kununurra for the purpose of providing stable, supported accommodation for Indigenous households. Support services include financial planning and counselling, assistance with health management, mentoring for maintaining working and training, assistance with parenting, home management or home loan applications. The Wunan program was unique because it combined positive outcomes in terms of employment/training and education with stable housing opportunities with the ultimate aim of transitioning tenants into owner occupation. The program was driven by exceptional leadership and a strong vision about the importance of housing in delivering a broad range of social outcomes for Indigenous households.

Like WA, the **ACT Affordable Housing Action Plan** (AHAP) also adopted a housing continuum approach delivering land supply, affordable housing quotas, a land rent scheme and a program to grow the community housing sector. Land supply was tied to affordable housing outcomes with a proportion of lots offered at affordable rates to eligible home buyers. One of the major innovations was the land rent scheme where eligible households could rent land from the government at two per cent per annum of the unimproved value of the land. Financial support was provided for Community Housing Canberra (CHC) along with asset transfer of 132 public houses to help the organisation grow. A key feature was access to a \$50 million revolving loan fund available at the 90 day bank bill rate. The commitment of the territory government to partner with CHC resulted in a reasonably small degree of financial and asset support which delivered 500 additional affordable rental units within a ten-year period. Overall the action plan implemented 59 initiatives across the housing sector. Lessons from the plan include the need for political and bureaucratic leadership to focus the efforts of the multiple agencies involved in the delivery of affordable housing, the significance of the community housing sector and land release in a whole-of-housing continuum approach.

The **NSW Asset Vesting Program** (AVP) was designed to grow the community housing sector. It came into being largely as a result of Federal Government stimulus spending, under the Social Housing Initiative. The NSW Government used the funding to develop around 6,000 dwellings, which were to be transferred to Community Housing Providers (CHPs) upon completion. Competitive tenders for the dwellings among CHPs included commitments to leverage the value of the transferred dwellings to finance some 1,300 additional affordable housing dwellings. While the success of the program is largely viewed as mixed, the program was considered a vital catalyst in growing the size, diversity and professional capacities of the CHP sector. Increasing expectations within government to maximise the value of land assets, and how that translates to growth in both housing supply in general and affordable housing supply in particular, has however led the current NSW Government to argue that the CHP sector is not in the best position to act as developers in the renewal of government assets. The case study highlights the importance of political stability and an overarching strategy to ensure policy objectives remain clear and long term.

Policy development options

When reviewing the case studies in this report it must be understood that two of the cases relate to comprehensive state strategies, while the other two are individual programs so have a much narrower focus. The four cases reveal some strong messages for all levels of government about the key ingredients of an effective housing strategy.

Resilience of the strategy or program

A key lesson from both the NSW program and parts of the ACT strategy was the difficulty in sustaining the housing outcomes after the original political champion(s) had moved on. The most enduring outcomes are associated with elements of the strategy with short time horizons or required a long term agreement with a third party that was difficult to unwind. Programs where there was no bureaucratic consensus on direction and purpose were most at risk. In contrast, the main messages of the WA strategy have been reinforced by successive housing ministers helped by a period of political stability. The leadership team within the Housing Authority have been, and continue to be, very active in ensuring the strategy remained front and centre, framing policy developments such as the recent seniors' affordable housing strategy. It will be interesting to see how resilient the WA strategy proves to be following the recent change of government and the decision to merge the Housing Authority into a much larger department.

Leadership

Of all the elements examined in this project, it is clear that leadership is the most important. The delivery of better housing outcomes in a city or region is a long and complex process that requires the support, and sometimes the active participation, of many different stakeholders, including a range of government agencies and the private sector. The ACT case clearly demonstrated that very strong leadership is needed to bring all these elements together—a situation mirrored in WA. Without the leadership of the housing minister of the time and the CEO of the Housing Authority it is unlikely the WA affordable housing strategy would have been developed at all, let alone implemented as successfully as it was. The support of the State Treasury is very important. The East Kimberly Transitional Housing program provides another illustration of just how a driven collection of individuals can make a real difference if provided with the support to implement ideas.

Federal funding

In most cases, state government affordable housing strategies will require the expenditure of considerable resources. Even when state governments are running surpluses, the resources required to make a difference in terms of housing outcomes is at such a level that strategies will be most effective when state governments can augment their own resources with those of the Federal Government. This is clearly evident from the WA and ACT cases where state housing targets were partly met with the assistance of the Nation Building Initiative as well as the NRAS scheme. The East Kimberley Transitional Housing program was able to access funding from the Commonwealth Ord River program. In NSW, the AVP was mainly facilitated through new stock constructed as part of the Nation Building Initiative.

Organisational structure, innovation and responsiveness

A key element of both the WA and ACT housing strategies was the involvement and leadership of central agencies. This leadership was effective at gaining the support of other line agencies as well as facilitating access to adequate resources. The difficulty that the AVP experienced in NSW was partly a result of a lack of support from such central agencies, particularly after the change in government in NSW in 2011. The ACT and WA cases highlight how successful organisations are able to move quickly to capitalise on new funding opportunities that are few and far between. Such organisations need to be flexible and require staff with the ability to deliver innovative solutions quickly. That ability to innovate is partly a function of staff expertise but also of organisational structure and leadership.

Consultation and collaboration

Critical is the role of quality consultation, a collaborative approach to implementation and a good community engagement strategy. The WA Social Housing Taskforce, which provided the platform for the affordable housing strategy, consisted of a range of private and community

sector organisations that helped to shape the development of the affordable housing strategy. The ACT AHAP was based on significant consultation with a range of private and community sector stakeholders. Early consultation and engagement is key, both within an organisation to ensure support, and across government departments to ensure a smooth passage through cabinet approval. Consultation needs to make organisations feel part of the process rather than be simply a tick box exercise.

Responsiveness

It is often difficult to know when opportunities might arise in a range of policy areas. The fact that the groundwork had been undertaken within the asset vesting program enabled NSW to respond to the opportunities provided by the nation building initiative. In the ACT, the bureaucracy was able to respond quickly to the political opportunity of having a Chief Minister and Treasurer in 2006 who was very interested in affordable housing because they had been doing research and program design on affordable housing since 2003. This would suggest that there is an advantage of agencies having some 'shovel-ready' housing strategies available in case opportunities become available. Similarly, the Wunan foundation in the Kimberley had a viable scheme in advance of Federal Government funding and were able to move quickly in partnership with the Housing Authority when the funding opportunity arose.

Nature of the strategy

The quality of the housing outcomes from any strategy are closely aligned with the quality of the actions contained in the strategy. A feature of both the ACT and the WA strategies was the depth and breadth of the actions. The ACT strategy consisted of 63 individual strategies or actions targeted across different price points of the housing market, targeting the bottom two quintiles. The strategy was not aimed at one segment of the market. A broad strategy also has the advantage of diversification—if one strategy is less successful than other strategies, it can still assist the broader housing targets.

Summary

The two affordable housing strategies in this report can be compared with the recent state affordable housing strategies for NSW which has been criticised for focusing on first home buyers and not directing much attention to the affordable rental end of the market (Saulwick 2017). In contrast, the WA and ACT strategies delivered initiatives across the whole of the housing continuum which is one reason why it was so well received by the broad housing industry; recognising the role of market housing in helping households transition out of heavily subsidised tenures. One common issue across three of the four case studies is the poor quality of data available on actual housing outcomes. In order to measure the success of affordable housing strategies and programs, governments need to increase the quality of the data available to assess economic and social outcomes tied to the resources expended on these strategies/programs.

The study

This project examined how state governments have used innovation to deliver affordable housing. An environment of limited funding has forced state governments to develop new ways of delivering a supply of affordable housing across the housing continuum. Affordable housing is more than public housing and many state governments have recognised this fact and implemented schemes to deliver housing primarily for households across the bottom two income quintiles.

This project evaluated two state affordable housing strategies and two state-level affordable housing programs to assess whether certain innovative approaches, both organisational and

operational, can be applied within other jurisdictions. In all evaluations, the extent to, and ways in which, governments have facilitated or stimulated affordable housing delivery by the private sector and/or partnered with the not-for-profit sector are highlighted. The implications of the findings from this aspect of the analysis help to identify the potential to empower and enhance the effectiveness of government in the delivery of affordable housing outcomes.

The project addresses the following research questions:

- 1 What strategies, programs and mechanisms have governments used to increase the supply of affordable housing?
- 2 What are the key drivers behind innovative strategies to deliver affordable housing? How important is leadership and are there specific organisational structures and capabilities required to deliver such strategies?
- 3 How have government partnerships with the private and community housing sectors been developed and how have they evolved over time to deliver affordable housing?

The evaluation follows a three stage Context-Mechanisms-Outcomes approach to ensure a consistent methodology. Key policy documents were reviewed supported by interviews with a number of individuals involved in each strategy/program. This project forms part of the evidence-based policy Inquiry titled *'Increasing affordable housing supply: evidence-based principles and strategies for Australian policy and practice'*. Strategies and programs for inclusion in the evaluation were identified and confirmed at the first Inquiry Panel meeting. The Inquiry includes this research project and two other complimentary projects (Randolph et al. 2017; Gurran et al. 2017a). The overall project enquiry report drew together the findings of all three projects (Gurran et al. 2017b).

1 Introduction

- This project evaluated four case studies using a Context-Mechanism-Outcome framework to explore how state government has delivered affordable housing through a variety of innovations.
 - The research is part of an evidence-based Inquiry titled *‘Increasing affordable housing supply: evidence-based principles and strategies for Australian policy and practice’*.
 - The four case studies are the WA Affordable Housing Strategy, the East Kimberley Housing Transitions Program, the ACT Affordable Housing Action Plan and the NSW Asset Vesting Program.
 - Affordable housing is defined in many different ways across the Strategies/Programs and a consistent definition should be adopted by all levels of government.
-

1.1 The purpose of the study

This project examines how state governments have used innovation to deliver affordable housing. An environment of limited funding has forced state governments to develop new ways of delivering a supply of affordable housing across the housing continuum. Affordable housing is more than simply public housing and many state governments have recognised this and implemented schemes to deliver housing primarily for households across the bottom two income quintiles.

The research outlines a variety of government-led innovations before exploring in more detail four case studies; two in Western Australia, one in the ACT and one in New South Wales. Using a systematic policy evaluation process, the project examines the conception of the policy approach, the governance, mechanisms and implementation plans used in its delivery, and the role of organisational structures and capacity in driving delivery. A particular focus is on the way the three states have engaged with the private and not-for-profit sectors to deliver developments that leverage investment from a range of sources. Previous work by AHURI identified innovations in the area of affordable housing delivery (Davison et al. 2012; Milligan et al. 2015; Wiesel et al. 2012) and has identified emerging practice relating to affordable housing delivery within specific market contexts, such as infill development (Rowley and Phibbs 2012; Rowley et al. 2014). AHURI work has also explored leadership and organisational dynamics in the not-for-profit sector but not within state government (Milligan et al. 2013; Milligan et al. 2015).

There are now a variety of schemes across Australia that have achieved significant affordability outcomes. In many cases what is critical is how these various schemes are brought together by the lead government agency to optimise the delivery of affordable housing outcomes. Governments have also supported private sector development through ‘de-risking’ developments, for example agreeing to purchase units that cannot be sold on the open market, and by operating counter-cyclically, maximising opportunities that are unavailable in a buoyant market. By developing in certain market conditions, the government is able to secure favourable deals and deliver value for money.

Other innovations include the delivery of housing finance to households on low to moderate incomes, for example in WA Keystart and SA Homestart, and the provision of alternative tenures such as shared ownerships (again WA and SA). The land rent scheme in the ACT has delivered 1,200 'blocks' enabling low to moderate income households to access housing². There have also been a number of schemes focused on regional and remote Indigenous communities to deliver affordable housing options: for example, the transitional housing program³ provides housing for Aboriginal tenants who are employed or in training and maintain school attendance for their children. The longer term aim is to transition tenants from initial rental housing options into home ownership.

The four case studies evaluated in this report are:

- the WA Affordable Housing Strategy 2010–2020: Opening Doors
- the Affordable Housing Action Plan from the ACT
- the East Kimberley Transitional Housing Program (WA)
- the Community Housing Asset Vesting Program in NSW.

The first two are both strategies implementing a range of existing and new programs to deliver affordable housing. The latter two are specific programs designed to deliver affordable housing through direct intervention in the former and through increasing the capacity of the community housing sector in the case of NSW. The selection of strategies and programs for this research was based on a combination of factors. First, the strategy or program was required to demonstrate an innovative approach in response to the issue of housing affordability. Second, the duration of the strategies had to be long enough to observe meaningful outcomes. The final selection was made in consultation with the project Inquiry Panel.

The report explores the context within which each case study evolved before discussing the mechanisms behind delivery and then finally the outcomes. The research has concentrated on strategies and programs that have had time to 'bed down' and deliver affordable housing making it possible to assess actual outcomes. The final section of the report draws lessons from each case study useful for those organisations seeking to develop and implement affordable housing strategies and programs.

1.2 Defining affordable housing and the housing affordability problem

One of the challenges faced by governments in the delivery of affordable housing is the lack of a consistent nationally recognised definition. Affordable housing is often discussed in terms of public, social or community housing targeted at lower income households (Stone et al. 2011), and has also referred to housing that can be rented or purchased at below market rates. The term affordable has also been associated with the housing continuum, where affordable housing opportunities are available across a range of tenures. For example, in the Social Housing Taskforce in WA, affordable housing is considered to be that which is affordable for low to moderate households and ranges from public housing, community housing through to low cost home ownership options (Social Housing Taskforce 2009). The Affordable Housing Action Plan refers to accommodation along a continuum of housing from public housing with subsidies to

² See http://www.economicdevelopment.act.gov.au/_data/assets/pdf_file/0006/316968/2012AHAP_III_-_Action_Plan.pdf.

³ See <http://www.dhw.wa.gov.au/housingoptions/homeownershipoptions/transitionalhousing/Pages/default.aspx>.

private lower cost housing that is accessible to all individuals regardless of circumstance (ACT Government 2007a). The National Affordable Housing Agreement (NAHA) aspires to achieve affordable housing for all Australians determined by the proportion of low-income households in rental stress, the number of lower cost houses produced, the rate of homelessness, and the proportion of Indigenous persons owning a home or living in appropriate housing (DSS 2009)

In an attempt to generate a consistent definition of affordable housing, this research draws on recent AHURI work defining affordable housing as 'housing provided subject to access and affordability requirements set by government. This includes:

- rental housing priced at below market rents and earmarked for eligible low-to moderate-income households
- owner-occupied housing for eligible low-to-moderate-income households that is provided under a subsidised loan or shared equity arrangement and/or is legally encumbered with covenants that impose an affordability requirement.

For the purposes of the Inquiry, the affordable housing industry comprises:

- non-government (for-profit and not-for-profit (NFP)) affordable housing providers
- the institutional entities and individuals that enable, support and regulate the work of affordable housing providers' (Milligan et al. 2016:2).

From this definition, any housing that includes a form of subsidy, therefore indirectly through public housing or the National Rental Affordability Scheme (NRAS); or directly through a community housing organisation would qualify as affordable housing as there is a subsidy as well as an eligibility requirement to access the accommodation. However, throughout the four case studies in this report it is necessary to refer to affordable housing in the context of the relevant strategy or program.

The definition of housing affordability is equally as contested as affordable housing (Gabriel, Jacobs et al. 2005; SERC 2015; Jones and Henman 2012). Housing affordability is often defined in financial terms, simply as the ratio between direct housing costs, such as mortgage repayments or weekly rent, and household income (Leishman and Rowley 2012; Yates and Milligan 2007; Rowley and Ong 2012). Housing affordability becomes a problem when housing costs are 'too high' relative to household incomes (Jones and Henman 2012) and, as a result, households are forced into decisions that they would not have otherwise made had they not be in housing stress (Yates and Milligan 2007). It is argued that affordable housing should ensure that households have sufficient income with which to meet the basic costs of living, after paying their direct housing costs (Milligan, Phibbs et al. 2007). That is, households on a low to moderate income would have necessarily less to allocate to living expenses after housing costs have been paid compared to those with more sizeable earnings.

There is a spatial element to housing affordability, as well as a complex set of interrelated social and economic considerations, all of which need to be considered in any definition (Leishman and Rowley 2012). Housing affordability must give regard to accommodation standards and the appropriateness of a dwelling for a given household (Leishman and Rowley 2012). The dwelling must meet the needs of the household: Is the house of appropriate size, in a decent state of repair, and is it in a location that will not impede social participation and access to adequate services and amenities? As these elements are experienced by a variety of different household types, defining and measuring housing affordability becomes even more complex (Gabriel, Jacobs et al. 2005) requiring normative judgements.

Supplying affordable housing is an obvious way to tackle housing affordability but subsidising housing is very expensive to deliver. State governments have therefore been examining ways to maximise outcomes from limited resources. This report highlights how a number of innovations were delivered on the back of Federal Government funding as part of the nation building

initiative, but when that funding dried up alternative avenues have been explored including partnerships with the private and not-for-profit sectors. This report explores how four state government-led innovations were developed and implemented and the outcomes they delivered.

1.3 Research approach

This project evaluates four state-level policy strategies and includes an additional case study delivering affordable housing to Indigenous households to assess whether innovative approaches, both organisational and operational, that have delivered a supply of affordable housing can be applied within other jurisdictions. In all evaluations, the extent to, and ways in which, governments have facilitated or stimulated affordable housing delivery by the private sector and/or partnered with the not-for-profit sector are highlighted. The implications of the findings from this aspect of the analysis help to identify the potential to empower and enhance the effectiveness of government in the delivery of affordable housing outcomes.

The project addresses the following research questions.

- 1** What strategies, programs and mechanisms have governments used to increase the supply of affordable housing?
- 2** What are the key drivers behind innovative strategies to deliver affordable housing? How important is leadership and are there specific organisational structures and capabilities required to deliver such strategies?
- 3** How have government partnerships with the private and community housing sectors been developed and how have they evolved over time to deliver affordable housing?

1.4 Research methodology

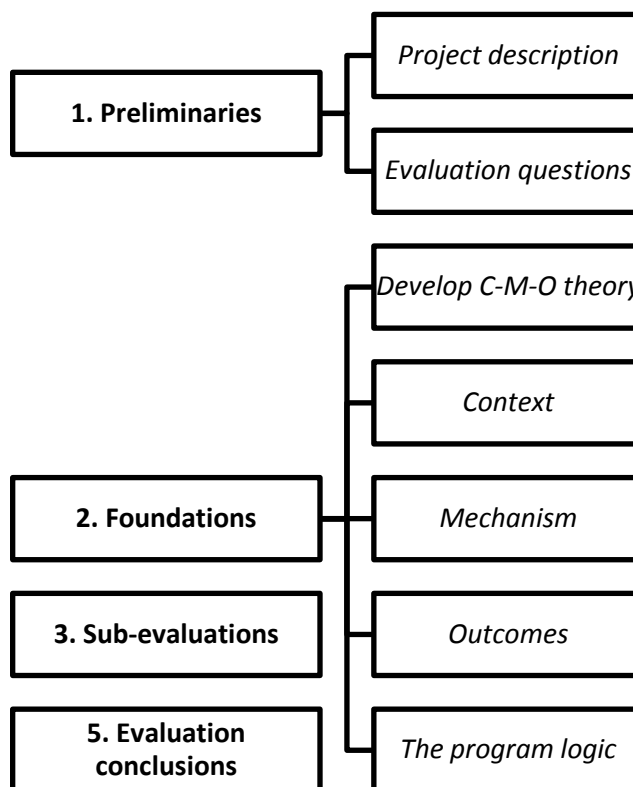
1.4.1 The approach to evaluation

Evaluations offer an opportunity to find areas for improvement or assess the quality (Davidson 2005) of, in this case, affordable housing programs. They also provide a framework through which to collate and analyse consistent information for a variety of affordable housing programs for comparison. In recognition of the limited review processes of housing programs in Australia and the need to expand national capabilities for providing affordable housing, Milligan, Phibbs et al. (2007) designed an approach to evaluation for the sector. The approach was designed as a starting point from which to further develop and apply evaluations to the affordable housing industry sector. In developing the evaluation model for affordable housing, the authors argue for a realist methodology, as coined by Pawson and Tilley (1997)—to understand the outcomes of a particular affordable housing model, the interactions between 'the mechanisms and context in which it operates' (Milligan, Phibbs et al. 2007:17) must be considered. Milligan, Phibbs et al. (2007:17) describe this concept schematically as 'Outcome = mechanism + context'. Having established the theoretical underpinnings of the evaluation for affordable housing models, the authors offer a practical guide to undertaking evaluations. Building on earlier work by Davidson (2005) who outlined the four stages of an evaluation—preliminaries, foundations, sub-evaluations and evaluation conclusions—the authors offer a step-by-step approach to evaluating an affordable housing model (see Figure 1 below).

This project has drawn upon the work by Milligan, Phibbs et al. (2007), in particular the realist approach to identify causation between context, mechanisms and outcomes, and to an extent the stages offered by Davidson (2005). It uses the evaluation framework to analyse four housing affordability strategies or programs to understand organisational effectiveness rather than the effectiveness of the policy itself. The evaluation process was used to compare the

origins of the affordable housing strategies/programs, highlighting differences and similarities through assessing common themes including leadership, capacity building, organisational structures and staff capabilities, and examine how the policies have evolved over time. The evaluation process also ensured consistent information and data collection across four case studies. The findings of the evaluations are drawn together to form the conclusions.

Figure 1: Evaluating affordable housing supply



Source: Adapted from Milligan, Phibbs et al. (2007).

1.4.2 Methodology for evaluating government-led innovations in affordable housing

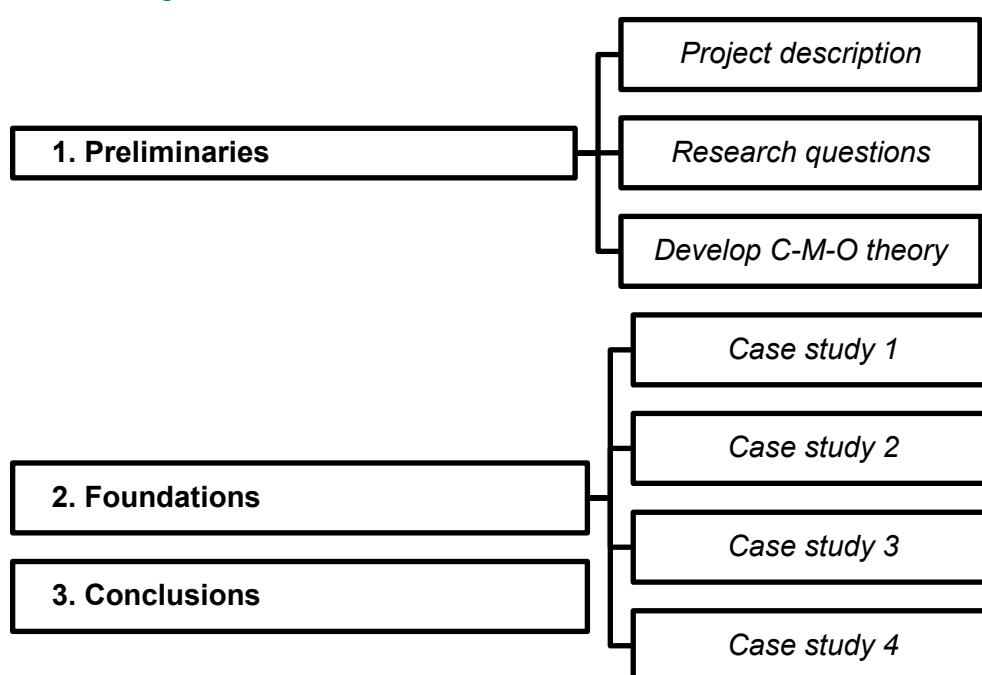
The evaluation follows a three-stage process—Preliminaries, Foundations and Conclusions (Figure 2 below) to evaluate two affordable housing strategies (WA and ACT) and two affordable housing programs (WA and NSW). The first stage of the research identified the preliminary elements of the research project that would inform the evaluation component of the project. These have been outlined earlier in this chapter and formed the basis for creating the C-M-O theory assessment matrix used to evaluate issues of leadership, institutional capacity and skills, organisational structure and relationships with key stakeholders between the case studies (Table 2 below). Strategies and programs for inclusion in the evaluation were identified and confirmed at the first Inquiry Panel meeting of the overall inquiry project, titled '*Increasing affordable housing supply: evidence-based principles and strategies for Australian policy and practice*'. The inquiry includes this research project and two other complimentary projects (Gurran, Gilbert et al. 2017a and Randolph, Milligan et al. 2017). The overall project enquiry report drew together the findings of all three projects (Gurran, Rowley et al. 2017b).

The methodology reflected the evaluation of two strategies and two programs with the Context-Mechanism-Outcome (C-M-O) assessment matrix designed accordingly. The programs had to

be evaluated slightly differently from the strategies due to the strategies containing a collection of programs operating at a different scale with a much broader remit.

For this project, the outcomes in terms of the affordable housing supply response are important, of equal interest are factors such as organisational structure, leadership strategies, staff expertise, and methods of engagement with the private and not-for-profit sectors. It is these factors which the program assessment matrix aims to draw out through the *Context, Mechanism* program matrix. The *Context* includes program background information such as description of the strategy and its objectives, the actions taken to achieve the Strategy and the capabilities of the organisation. *Mechanisms* included financial and human resources, leadership strategies and methods of engagement, all of which tie back to the project purpose. The *Outcomes* collected information on what the program or Strategy had achieved relative to its objectives, and are a function of leadership, specific organisational structures and capabilities. In discussing these outcomes, the report comments on the extent to which they have been achieved, that is how successful the strategy or program was in achieving its goals. Also examined is the extent to which the strategy/program can be replicated and the lessons to be learnt from each case study.

Figure 2: Methodology for evaluating government-led innovations to increase supply of affordable housing



Source: Authors.

Table 2: The Context-Mechanism-Outcome theory program assessment matrix

Element	Scope	Investigating the program
Context	<i>The need for an affordable housing strategy</i>	Who is the target audience? What were the actions, programs that were implemented to achieve the objectives?
	<i>A description of the strategy and the objectives</i>	Who were the key players in the formation of the strategy?
	<i>Key actions taken to achieve the strategy</i>	How did the state get the resources?
	<i>Organisational capabilities</i>	Where did the political will come from?

Mechanisms	<i>Financial inputs</i>	Where did the finances for the program come from? e.g. financial contributions and subsidies, leveraged from government assets and secured from other sources
	<i>Human resources</i>	What is the organisational structure?
	<i>Leadership strategies</i>	What experience did staff bring to the program?
	<i>Methods of engagement</i>	What skills were required for a successful program delivery?
		Who were the key players in the implementation of the program?
		What did the key players do towards the implementation of the program?
		Who were the key players involved outside the primary organisation?
		How were they engaged in the program design and implementation?
Outcomes	<i>What were the outcomes of the program based on the objectives of the strategy?</i>	E.g. Number of dwellings in total by program
	<i>What was the impact of leadership?</i>	
	<i>What were the specific organisational structures and capabilities key to the delivery of affordable housing programs?</i>	
	<i>Can the program be replicated?</i>	

Source: Authors.

The C-M-O theory program assessment matrix was applied to all four case studies using a combination of desktop research, analysis of program outcomes against objectives, and interviews with key informants. Key documents analysed included the strategy or guiding program documents, progress reports, consultant reports, annual reports and media statements. These were used to understand the program, identify the objectives, the extent to which the objectives had been achieved, and investigate evidence of organisational change. Arguably one of the limitations of considering a small number of observations or strategies is the reliability and replicability of the findings. While this study considered four housing affordability strategies, it is possible that a more expansive research project that examined more programs with greater variation in their outcomes could generate greater reliability in the results.

Key informants were interviewed over a period of six months from November 2016 (Table 3 below). Some of these were identified through the desktop research while others were acknowledged by those involved as being key individuals in the design or implementation of the program. Individuals interviewed included state policy officials (housing, planning, treasury), past key staff involved within the strategies or programs reviewed. Interview questions focused on further understanding the strategy or program, the role that the individual played, the skills and experience they drew on in developing or implementing the strategy or program, the

identification of other key individuals as well as an investigation of organisational structure and change.

Table 3: Interviews

Strategy or program	Interviews
Affordable Housing Strategy WA	5
East Kimberley Transitional Housing program	4
Affordable Housing Strategy ACT	5
Community Housing asset vesting program	6

Source: Authors.

The case studies are detailed in Chapters 3 to 5 with both the Western Australian examples incorporated into Chapter 3. Following the program assessment matrix, each case study has been described under the headings:

- 1 Introduction
- 2 Context
- 3 Mechanisms
- 4 Outcomes
- 5 Government partnerships and innovation
- 6 Lessons learnt and potential for replication.

The third stage of the project analysed the mechanisms and outcomes from the evaluations to understand how government has catalysed affordable housing development and to assess whether certain approaches, both organisational and operational, are scalable and transferable to other jurisdictions.

2 Supplying affordable housing—government-led initiatives

- Federal funding has been used by state governments to deliver a range of affordable housing programs. The NRAS was important in delivering a range of products that may not otherwise have occurred without the tax incentive.
 - State governments have delivered affordable housing through a range of mechanisms outside traditional public housing.
 - Transfer programs have seen public housing titles and management responsibilities passed to the community housing sector in order to help the sector grow by strengthening its asset base and its cash flow.
 - Low deposit home loans have reduced the deposit and mortgage burdens of low-to-moderate income earners allowing them to purchase their own homes. The Keystart home loan program in WA has helped over 90,000 households.
 - Shared equity and ownership schemes again reduce the deposit and mortgage burdens of eligible households. Dwellings are often delivered through specific state government development programs and are important in increasing housing diversity.
 - State governments have partnered with the private sector to deliver both lots and dwellings, often within mixed tenure developments.
-

There are a number of ways that state governments have delivered affordable housing supply outside traditional public housing. This section details some of these established innovations that have had time to deliver outcomes. It does not address innovations that have used the planning system as the mechanism by which to deliver affordable housing. This is covered in a separate report (Gurran, Gilbert et al. 2017a). We include those innovations that have used Federal Government money such as the NRAS because this funding has been a critical part of many innovations. We do not explore local government-led initiatives in this project although we acknowledge that many local governments have implemented programs to deliver affordable housing outcomes.

2.1 Federal Government supply of affordable housing

Commitment to the supply of affordable housing at the Federal Government level is largely through the National Affordable Housing Agreement (NAHA) and the associated National Partnerships Agreements on Social Housing, Homelessness and Remote Indigenous Housing. NAHA 'provides a framework for the Commonwealth, State and Territory governments to work together ...' (COAG 2009a). This whole-of-government approach to housing affordability is underpinned by the single objective of ensuring 'that all Australians have access to affordable, safe and sustainable housing that contributes to social and economic participation' (DSS 2009) and was designed to clarify the role and responsibilities of various levels of government in the delivery of housing services (COAG 2008). Under these National Partnership Agreements the states have been provided with \$6.2 billion of Commonwealth funding over five years (COAG 2008). In a shift away from the previous Commonwealth State Housing Agreement, which

focused predominantly on social housing, the NAHA has a much broader scope extending to the rental sector and the affordable home ownership market (COAG 2009a).

A plan to address housing affordability was released as part of the 2017 Federal Budget. NAHA was retained in principle, although a new agreement would be established with each of the state and territory governments (Australian Government 2017b). The new National Housing and Homeless Agreement (NHHA) will continue the Commonwealth annual funding of \$1.3 billion for 2016–17 and target the funds toward social and affordable housing supply, planning mechanisms and reform to increase this supply and homelessness services. For 2018–19 and beyond, the funding will increase to \$4.6 billion over three years, from which \$375 million will be for homelessness. The Federal budget also included demand-side incentives including the First Home Super Saver Scheme (Australian Government 2017a).

2.1.1 Social housing initiative

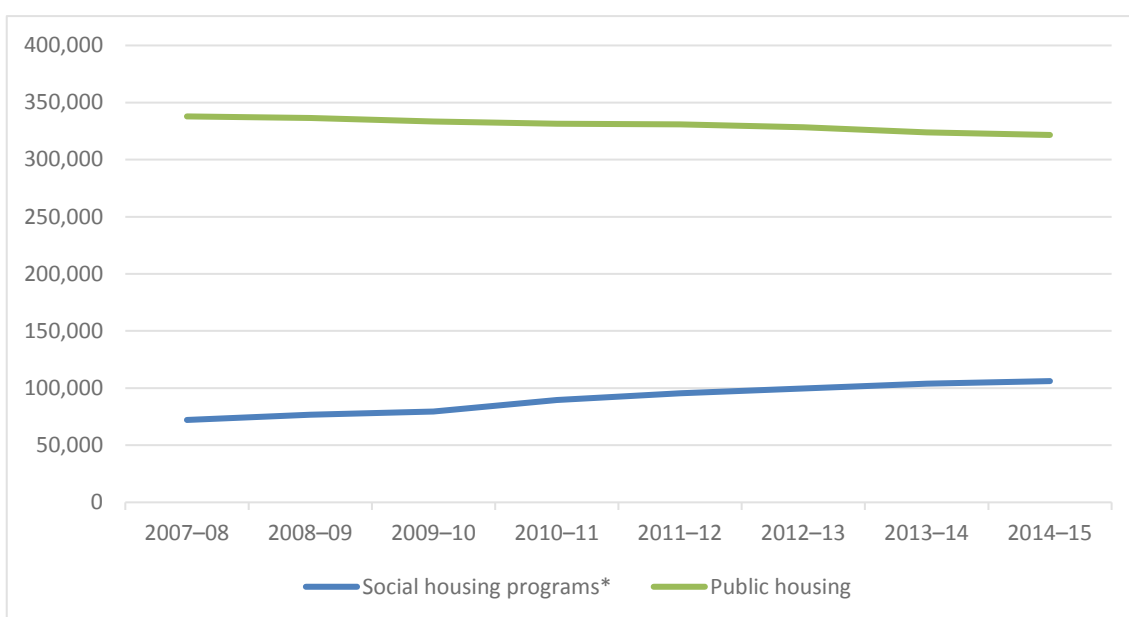
There was a boost to national social housing supply through the Nation Building and Jobs Plan Social Housing Initiative (SHI) in response to the global economic crisis (COAG 2009a).

Budgeted as one-off funding, the SHI injected a total of \$6,388 million into the social housing sector between February 2009 and December 2012. The initiative aimed to deliver 20,000 new social housing dwellings and refurbish 2,500 existing dwellings nationally, largely through public private partnerships rather than the traditional public housing delivery models (Pinnegar, Wiesel et al. 2011). This included the transfer of public housing stock to the community housing sector, a process that was intended to grow the capacity of the non-government sector, largely not-for-profit community housing organisations (Milligan, Martin et al. 2016). However, with only a 3 per cent increase in the total number of dwellings between 2008–09 (415,100) and 2014–15 (427,800), the growth in the sector has not been substantial (AIHW 2016a). While the number of dwellings delivered through social housing programs⁴ has increased by around 34,000, public housing dwellings have fallen by almost half this figure.

The importance of the SHI is explored within the four case studies.

⁴ This includes state-owned and managed Indigenous housing, Indigenous housing, NT remote community housing and mainstream community housing.

Figure 3: The 'growth' of public and social housing



Source: AIHW (2016b).

**All social housing programs refer to state-owned and managed Indigenous housing, Indigenous housing, NT remote community housing and mainstream community housing.*

2.1.2 National Rental Affordability Scheme

In 2008, the Commonwealth, with the state and territories, offered a tax incentive for investors to provide new affordable rental housing leased to eligible low-to-moderate-income tenants at 20 per cent below market rates through NRAS (Rowley et al. 2016). Approximately 38,000 incentives were distributed and will continue to provide affordable housing for up to 10 years. Despite wide ranging support from industry and research, NRAS was discontinued in 2014 following a change in government and the perception that the scheme was not efficiently delivering affordable housing (Rowley, James et al. 2016). The tax incentives offered have been used by both state government and the community housing sector to deliver affordable housing schemes that would not otherwise have been possible without the subsidy. It enabled state governments to leverage private sector finance—examples are provided in the WA case study below and within Randolph, Milligan et al. 2017. For a full description of NRAS and its outcomes see the recent AHURI report by Rowley, James et al. 2016, *'Subsidised affordable rental housing: lessons from Australia and overseas'*.

2.2 State supply of affordable housing

In the absence of substantial government programs to fund the delivery of affordable housing, the states and territories have been required to innovate. This section looks at examples of innovative affordable housing supply delivered by the state and territory governments (Table 4 below), before exploring, in further detail, examples from Western Australia, the ACT and New South Wales within the four case studies. This focus is on those programs that have delivered a supply of affordable housing to the market, rather than those schemes designed to make the existing market more affordable—for example, demand-side subsidies such as the first home owners' grant and stamp duty relief and rental subsidies including Commonwealth Rent Assistance (CRA). Low deposit and shared ownership home loans are included because they create new opportunities for households rather than simply making their existing dwellings more

affordable, and often the loans are tied to new developments. We exclude demand-side subsidies and stamp duty relief.

2.2.1 Transfer programs

The physical decline and financial constraints around public housing has resulted in an increase in transfers of public housing from state and territory governments to community housing providers (CHPs), particularly since 2007 (Pawson, Martin et al. 2016). The objective is to help the sector grow through increasing their asset base and, perhaps more importantly, strengthening the cash flows necessary to service debt funding. Transfer of titles allow CHPs to use the cash flow as leverage against which they can borrow finance, enabling the growth of the sector and its ability to deliver a greater number of affordable housing options. Through transfer programs, the government is indirectly increasing the number of available affordable housing opportunities (see Chapter 5). Transfers also benefit CHPs through revenue advantages that result from tenant eligibility for CRA increasing the rents that can be charged (Pawson, Martin et al. 2016). Recent examples of transfer programs were found in Tasmania, South Australia, Queensland, Northern Territory, Western Australia, the ACT, Victoria and New South Wales.

In Tasmania, under the Better Housing Futures (BHF) program, four sites, representing 35 per cent of Tasmania's public housing stock were transferred to four CHPs, which included around 4,000 dwellings (Pawson, Martin et al. 2016). In South Australia, the Better Places, Stronger Communities (BPSC) program commenced in 2013 and involved two transactions and around 5,000 dwellings (Pawson, Martin et al. 2016). In Queensland, under the Logan Renewal Initiative (LRI), 5,000 were to be transferred from the Department of Public Housing and Works to two interstate CHPs, however, it was terminated for a number of reasons including a change of government (Pawson, Martin et al. 2016).

As part of the Real Housing for Growth Program, the Northern Territory Government invested \$65 million to deliver 160 affordable dwellings as part of establishing the affordable housing company Venture Housing between 2013 and 2016. The investment funded the construction and transfer of 130 dwellings and supported Venture Housing to develop an additional 30 homes. All the dwellings were developed under the NRAS which represents a good example of cross-subsidising of funding streams. The Northern Territory Government has also leased 12 dwellings to the Central Australian Affordable Housing Company in Alice Springs for affordable rental purposes. In Western Australia, the Housing Authority has invested \$500 million into the community housing sector largely through the transfer of housing assets. In addition to the 1,721 assets transferred between 2010 and 2013–14, a further 211 were transferred to the community housing sector in 2015–16 (Housing Authority 2016a). In the ACT, the transfer program under the Affordable Housing Action Plan focused largely on a single CHP which received 132 public housing properties to the value of \$50 million with a revolving finance facility to enable 1,000 new affordable dwellings within 10 years. The funds were lent at the 90-day bank bill swap rate. Land was also provided through an MOU. The asset vesting program in New South Wales has been in place since 2009–10. The NSW Government used Social Housing Initiative funding to develop around 6,000 dwellings which were to be transferred to CHPs upon completion. It is estimated that 6,276 units were vested to CHPs under this program and a further 1,310 were estimated to be leveraged from asset vesting. The scale of this NSW asset vest program is noteworthy and is therefore explored in detail in Chapter 5.

2.2.2 Low deposit home loans

Low deposit home loans are available in a number of states. Keystart (WA) and HomeStart (SA) are both organisations that were established by the state governments in the late 1980s in response to the lack of affordable finance options for home buyers. These organisations offer

low deposit home loans for low-to-moderate-income households to buy an existing or new build home in the respective states. These are examples of government innovation because KeyStart and Homestart home loans are secured by the state governments, and the organisations then pay a dividend back to them.

The Keystart program⁵ was introduced in 1989 and since its inception has enabled around 98,000 people to achieve home ownership with 88 per cent of these loans for first home buyers (Housing Authority 2016a). There are income eligibility and dwelling price limits dependent upon household structure and location with a family on a combined income of up to \$135,000 able to purchase a dwelling up to \$480,000 in the Greater Perth region. In 2015–16 there were 2,489 new loans valued at \$878.9m (Housing Authority 2016a). The loans have been a major factor in keeping rates of first home buyers in WA well above the national average (Housing Industry Forecasting Group 2016).

The low deposit home loan in Tasmania differs slightly. Under the Streets Ahead program, a dwelling may be purchased from Housing Tasmania (Tasmania, n.d). Purchasers must meet income eligibility limits, cannot have participated in the program before and must be a first home buyer. Between 2014 and 2015, StreetsAhead assisted 142 eligible households (Housing Tasmania 2015). In both WA and Tasmania, a cross transfer of stock exists with government using partnerships with the private sector to deliver dwellings which are then often purchased using government backed loans.

2.2.3 Shared equity and ownership

Shared equity schemes enable the purchaser to enter into an agreement and share the cost of purchasing that property ownership with, in this case, a state or territory government. The government is directly influencing the affordability of the dwellings through part ownership, reducing both the deposit and loan burden of the purchaser. Examples of shared equity schemes include Homeshare in Tasmania, the shared equity scheme in the ACT, SharedStart in WA, and the recent introduction of HomesVic in Victoria.

In Tasmania for instance, the purchaser must agree to buy a 70 per cent stake in the dwelling while the Director of Housing holds the remainder. These mortgages are arranged through the Bendigo or Adelaide Banks (HomeShare 2015). Since 2009, 264 home loans have been granted under HomeShare (Housing Tasmania 2015). The Shared Equity Scheme in the ACT began in 2010 as a home purchase opportunity for social housing tenants (ACT Community Services 2017). The eligible purchaser enters into an agreement to purchase 70 per cent of the house, financed through IMB Limited, with Housing ACT owning the remainder. The remaining proportion must be purchased from Housing ACT within 15 years.

In WA, under the SharedStart shared ownership program, purchasers can buy newly built or off-the-plan dwellings, in both metropolitan and regional locations, which are offered by the Housing Authority (Housing Authority 2016c). The Housing Authority will retain up to 30 per cent of the ownership of the dwelling, and has used a large procurement program to build or purchase dwellings which gives them the discretion to ensure that the dwellings remain affordable. Often this equity stake has been delivered through a joint venture with a private sector partnership where the structure of the venture has delivered the units well below the prevailing market price with the difference allowing the Housing Authority to retain an equity stake. The shared ownership loan will be either a fixed or flexible loan, with the latter option giving the purchaser the chance to own the property in full when financial circumstances permit. Maximum loan limits exist on all properties and purchasers must meet eligibility requirements. In WA there is also the Goodstart shared equity scheme. This scheme assists public housing

⁵ See <http://www.keystart.com.au/about-us/about-us> for more details.

tenants and non-first home buyers who cannot benefit from first home buyer incentives to transition out of their current public housing rental into their own homes.

2.2.4 The Land Rent Scheme

Aimed at those on moderate incomes, the ACT Government introduced the Land Rent Scheme in 2008. Under the scheme, eligible households can rent a residential block of previously unavailable land from the government on which they can build a house. When the scheme was first announced, two rent levels were charged depending on the income of the household holding the land rent lease, but the scheme was later changed so only lower income households were eligible to participate (in 2013). They paid two per cent of the land value as a rent payment. The scheme reduced the deposit gap and used innovative financing arrangements to improve access to affordable home ownership. As it is the first example of this type of scheme in Australia, it will be considered in further detail in Chapter 4. Over the last four years, about 430 households per annum have participated in the scheme.

2.2.5 Partnerships and joint ventures

State governments have entered into partnerships and joint ventures with both the community housing and private sectors to deliver affordable housing supply. For example, since 2012, the Northern Territory Government has entered into head leasing agreements with private land owners in Darwin, Palmerston, Tennant Creek and Alice Springs supplying 213 affordable rental dwellings across four high-density development sites and a further 127 in smaller complexes across the Territory since 2012. These dwellings were constructed on both private and government land. A proportion of the dwellings in each site were made available under NRAS.

Chapter 3 outlines a number of such partnerships within Western Australia that have delivered both lots and various types of affordable housing product. Recent innovations have included using state-owned land as the equity contribution to a development which allows the developer to deliver affordable housing alongside market units. Examples are presented in Chapter 3 with further details in Randolph, Milligan et al. 2017 (forthcoming). In the ACT, a partnership with Community Housing Canberra delivered a supply of affordable dwellings and more details can be found in Chapter 4.

2.2.6 Subsidised rental housing

A number of states have programs that subsidise the rent for key workers in regional locations. The subsidised rents work as a catalyst to retain key service providers in the region, particularly in locations where rents are not affordable. For example, the Northern Territory Government has invested \$9.1 million to provide affordable rental accommodation for employees in key service industries, including tourism, hospitality, education, and health workers (Northern Territory Government 2016). Tenants must meet eligibility criteria based on household income. Under this program, the government leases privately-owned dwellings and rents them to the key workers at 30 per cent below market rates (Department of Housing and Community Development 2017). There are currently 340 dwellings for low-to-middle-income key workers across the Northern Territory.

The WA Housing Authority also provides subsidised rental accommodation to house eligible state government employees in non-metropolitan locations and key workers outside the capital city under the Government Regional Officers' Housing (GROH) program. Service workers are employed in areas such as 'childcare, education, emergency services, health, retail, trades, manufacturing and government' (Department of Regional Development 2014). There are 5,512 rental properties available for key workers within the state. In 2015–16, 44 per cent were from the private sector and the remainder were owned and managed by the Authority. The WA Government has recently introduced, at a cost of \$14 million, the Assisted Rental Pathways Pilot, which provides supported and affordable rental opportunities in the private sector for 200

households who are in public housing or applicants on the waitlist for up to four years (Housing Authority 2016b).

In Queensland, the Department of Housing and Works coordinate the Government Employee Housing program which owns and manages 3,100 dwellings in regional locations that are leased to government employees at affordable rents. These employees include key service workers such as doctors, nurses, teachers, for example. Some affordable accommodation exists for these employees in urban areas where the market is less affordable (Department of Housing and Public Works 2016).

2.2.7 Transitional housing

Transitional housing is accommodation which is available to tenants for a given period of time and is affordable to those on low to moderate incomes. Traditionally, transitional housing is provided by CHPs, however, there are examples of government working alongside community groups to produce transitional housing. The Transitional Housing Program in the East Kimberley is one example of government working with a local not-for-profit group to produce an affordable rental product. In this case, tenants are required to meet eligibility requirements and adhere to social and economic commitments such as participate in employment or training and attend school. At June 2016, over 100 dwellings had been built under this program in East and West Kimberley including 40 in Kununurra, 22 in Halls Creek, 31 in Broome and 18 in Derby, with a further 11 properties contracted to be built in Broome and Derby (Housing Authority 2016a). This example will be explored further in Chapter 3.

2.3 Delivering innovations

This chapter has reviewed some of those government-led innovations that have led to the delivery of affordable housing. It is clear from Table 4 below that some state governments may have been more proactive in adopting innovative approaches to affordable housing than others. The rest of this report evaluates how state governments have used innovation to deliver affordable housing programs and identifies the lessons that can be learnt from such strategies or programs.

Using the C-M-O methodology described in Chapter 1, the research explores issues such as the importance of leadership, organisational capacity and structure, funding and consultation, before drawing together the findings from the case studies in Chapter 6 to highlight the key ingredients for innovative delivery of affordable housing.

Table 4: Examples of government-led affordable housing delivery

State	Innovation	Affordable housing outcomes
ACT	NRAS	2,386 total incentives
	Transfer programs	Increase community housing supply by boosting the scale of Community Housing Canberra (over 400 additional tenancies by early 2017). On target to increase supply of affordable rental dwellings by 500 dwellings by February 2018
	House and land packages	Annual lot release targets of 20 per cent affordable reached or exceeded Compact affordable house/land packages less than 300,000: Current annual release of about 300 per annum Increased rate of land release: Dwelling lots released increased by more than 100 per cent from pre-plan numbers to 4,339 lots in 2008–09
	Land rent	Aim for 1,000 households, with annual take-up of 430 households over 4 years to June 2016)
NSW	NRAS	6,614 total incentives
	Transfer programs	Estimated 6,276 units vested to CHPs. Estimated 1,310 to be leveraged from asset vesting
NT	NRAS	1,066 total incentives
	Transfer programs	Developed and transferred 130 affordable dwellings for low-to-moderate-income households using NRAS to the Venture Housing Company (VHC). Leased 12 dwellings to Central Australian Affordable Housing Company
	Partnerships and joint ventures	Developed 260 affordable dwellings on a range of sites for low-to-moderate-income households using NRAS
	Subsidised rental housing for key workers	340 dwellings leased to key workers at 30 per cent below market rents
QLD	NRAS	10,362 total incentives
	Transfer programs	Logan Renewal Initiative terminated
	Subsidised rental housing for key workers	Government Employee Housing owns and manages 3,100 dwellings
SA	NRAS	3,641 total incentives
	Transfer programs	Better Place Stronger Communities—5,000 dwellings transferred since 2013
	Low deposit home loans	Home Start—Produced over 66,000 loans since inception in 1989
Tas	NRAS	1,562 total incentives
	Transfer programs	Better Housing Futures—4,000 dwellings transferred since 2012
	Low deposit home loans	StreetsAhead assisted 142 eligible households between 2014–15

State	Innovation	Affordable housing outcomes
	Shared-equity schemes	264 home loans under HomeShare since 2009
VIC	NRAS	6,107 total incentives
	Shared-equity schemes	HomesVic—announced in 2017
WA	NRAS	5,313 total incentives
	Transfer programs	\$500 million since 2010 resulting in the transfer 1721 to 2013–14 and an additional 221 in 2015–16
	Low deposit home loans and shared-equity schemes	14,500 Keystart home loans (including shared ownership) since 2010 and 60,000 since 1989
	Partnerships, joint ventures and house and land packages	Partnerships with private sector to deliver ‘entry level’ affordable homes (2,000) Partnerships across government and industry (938 units with a proportion market dwellings) Joint ventures to deliver land (13,000 with 77% below median price. Not all yet delivered)
	Subsidised rental housing for key workers	5,512 rental properties managed in 2015–16, 44 per cent from the PRS, remainder were owned and managed by the Housing Authority
	Transitional housing	Over 100 transitional affordable dwellings developed

Source: Various policy documents including annual reports, media releases and direct communication with relevant departments.

3 Case study 1: Western Australia

- The WA Affordable Housing Strategy *Opening doors to affordable housing* was launched in 2010 following recommendations by the Social Housing Taskforce, a cross industry body set up by the WA Housing Minister in response to declining affordability.
 - The strategy set a target of delivering 20,000 dwellings across the housing continuum by 2020. The target was reached five years early.
 - Bringing together existing affordable housing programs, including Keystart low deposit home loans, NRAS, and partnerships with the private sector, the strategy shifted industry perceptions of affordable housing away from public housing to a broad range of solutions.
 - The primary factors behind the development of the strategy were the strength of political leadership from the Housing Minister and the drive and vision of the leadership team within the WA Housing Authority.
 - The Housing Authority was re-shaped to become more flexible and innovative and, as a result, was able to take advantage of a boost in Federal Government funding and a housing market downturn to leverage affordable housing opportunities.
 - There are a number of lessons to be learnt from the strategy including the importance of leadership, communication and consultation.
-

3.1 Introduction

The WA Affordable Housing Strategy: *Opening doors to affordable housing* (the strategy) (Department of Housing 2010a) was launched in 2010 with the aim of delivering 20,000 additional affordable homes by 2020. It recognised a need to increase the availability of affordable housing for households on low to moderate incomes with the WA Government committing to '... 'open doors' to increase the supply and diversity of affordable housing across Western Australia by taking bold, practical measures ... ' (Department of Housing 2010a:5). The strategy highlighted a shift away from a government focus on public rental housing and towards a proactive approach '... working more widely with partners and markets to increase the range of housing options ... ' (Department of Housing 2010a:6). It used a housing continuum model to conceptualise interventions identifying roles for a stronger community housing sector, the need for planning reform to support affordable housing delivery and a more market-orientated approach leveraging partnerships with the private sector. Largely using existing affordable housing programs, including Keystart, state and Commonwealth funding through NRAS and funding as part of the Social Housing Initiative, the strategy delivered on its aim of 20,000 new affordable dwellings five years early.

This chapter explores the development of the strategy, first identifying the context within which it evolved before discussing the mechanisms through which it was created and then the outcomes delivered. The research used publically available documents as well as interviews with the key personnel responsible for the strategy itself.

3.2 Context

3.2.1 The Social Housing Taskforce

Changes in political leadership, departmental personnel and the property market during 2008–09 were integral in shaping the strategy. In 2008, the state election in Western Australia resulted in a change of government. The incoming Liberal Party appointed Troy Buswell as the new Minister to the housing portfolio. Simultaneously, the then Department of Housing and Works⁶ appointed a new CEO to reform the organisation. The housing market had changed rapidly in the previous four years with house prices more than doubling and rents increasing much faster than incomes. The cost of delivering housing through the Department's development activities was deemed to be unsustainable and public housing waiting lists had doubled in only a few years as a result of declining affordability. Globally, the financial crisis occurred and nationally the Australian Government developed the National Affordable Housing Agreement and with it provided funding to the states to develop housing.

This environment generated the need for a state government response to the supply of affordable housing and on 10 December 2008, the WA Minister for Housing and Works announced the creation of a Social Housing Taskforce. The Taskforce was established 'to review the acute shortage of public housing in Western Australia and to suggest innovative strategies for addressing the problem' (Social Housing Taskforce 2009: i). A number of key definitions were determined including:

- **Social housing:** Government subsidised accommodation for people on low to moderate incomes.
- **Affordable housing:** Housing that is adequate in standard and location for lower to middle income households but does not place the households into housing stress.

From these definitions the Taskforce constructed an affordable housing continuum which included a range of 'diverse housing options for households depending on their needs'. These included crisis accommodation, public and community housing, affordable private rental and affordable home ownership (Social Housing Taskforce 2009: i).

Over the first six months, the Taskforce conducted a broad-spectrum consultation with over 80 organisations and agencies; public, private and not-for-profit. The Social Housing Taskforce Report, *'More than a roof and four walls'*, was released in 2009 which outlined 56 recommendations and examined the impact of housing market conditions on the demand for affordable housing (Rowley and Ong 2009). Most significantly, the Taskforce agreed that 'an additional 20,000 social and affordable housing units can be created across Western Australia by 2020' (Social Housing Taskforce 2009: i). To achieve the goal, the Taskforce stated the need for:

A whole-of-government approach to the provision of social and affordable housing through the development of a State Affordable Housing Strategy. This Strategy will clearly outline the roles, responsibilities, key initiatives, funding and performance measures that will underpin the development and delivery of affordable housing across Western Australia over the next 10 years (Social Housing Taskforce 2009:i).

⁶ We refer to the Department of Housing and Works, Department of Housing and the Housing Authority in this section as these were the various labels used to describe the state department responsible for housing. For the main we refer to the Housing Authority. Following the recent May 2017 merger of the Housing Authority into the Department for Community Services there may be a further change in title.

One of the important outcomes of the report was the development of a conceptual continuum starting from crisis and public housing at one end, through to affordable rentals and ownership at the other. The Taskforce recognised that the solution to the issue couldn't focus on social housing in isolation and needed to take a broader approach. It was agreed that there was a need to *'fix the system, rather than one part of the system [such as public housing], in isolation'* (WA Interviewee 3).

The membership of the Taskforce proved to be one of its greatest strengths and the catalyst to a rigorous consultation approach in developing the Taskforce report and, ultimately, the strategy itself. Composed of representatives from a range of organisations and industries including the social housing, development, local government and social services sectors⁷, it brought together a coalition of people all of whom had an interest in the housing sector. This decision was *'the brainchild of the Minister, the Department of Housing and Works CEO and their communications advisor'* (WA Interviewee 4). This had a substantial impact in terms of delivering a whole-of-industry approach to the problem ensuring support both within and outside of government. The Taskforce noted the importance of the Minister for Housing and Works also being the Treasurer in the development of a robust housing continuum 'as well as ensuring government approach and long-term funding requirements are realised' (Social Housing Taskforce 2009: i). The taskforce was driven by the political will to solve a problem. Importantly the consultation occurred when framing the issues rather than after a policy had already been drafted.

3.2.2 Strategy description and objectives

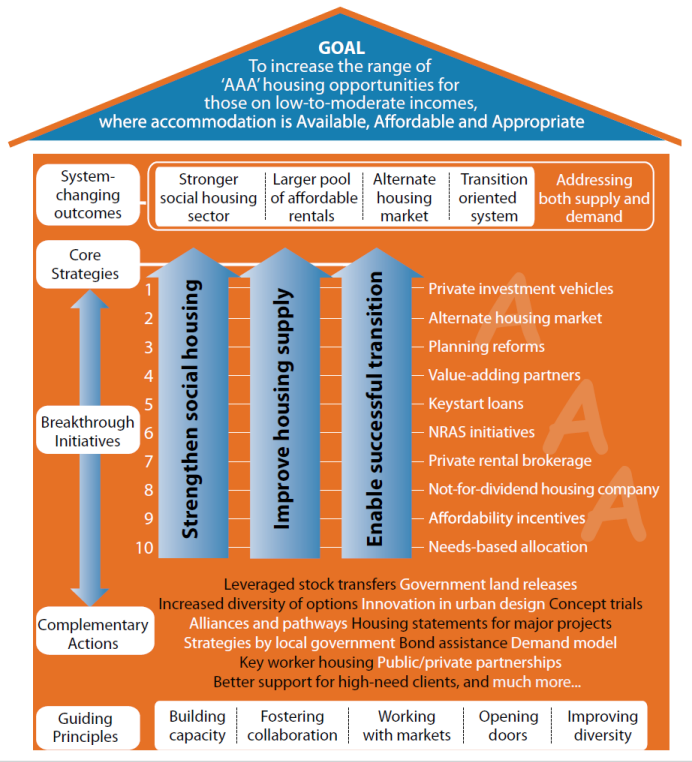
The goal of the strategy was to increase the range of available, affordable and appropriate housing opportunities for families on low to moderate incomes (Figure 4 below). Specifically, it aimed to increase the supply and diversity of affordable housing by delivering at least 20,000 affordable housing opportunities by 2020. The creation of these dwellings was to be achieved by *changing the system* through which affordable housing supply is provided to the market. The strategy focused on four areas of change and sought to create:

- 1 'a stronger, social housing sector with coordinated service delivery between the public and not-for-profit sectors
- 2 a larger more diverse pool of affordable private rentals to broaden the opportunities for the target audience
- 3 an alternative housing market for new types of affordable accommodation that operate at an ongoing discount to market rates
- 4 a more dynamic transition-orientated housing continuum with tailored interventions to encourage and support the mobility of the target households' (Department of Housing 2010a:6).

There was a strong recognition that a supply of new public housing alone was not the solution. The strategy offered the Housing Authority and external organisations a new approach to rationing a scarce resource, driven by the idea of adopting *'a broader conception of the problem and finding different ways to utilise [the] asset[s]'* (WA Interviewee 2).

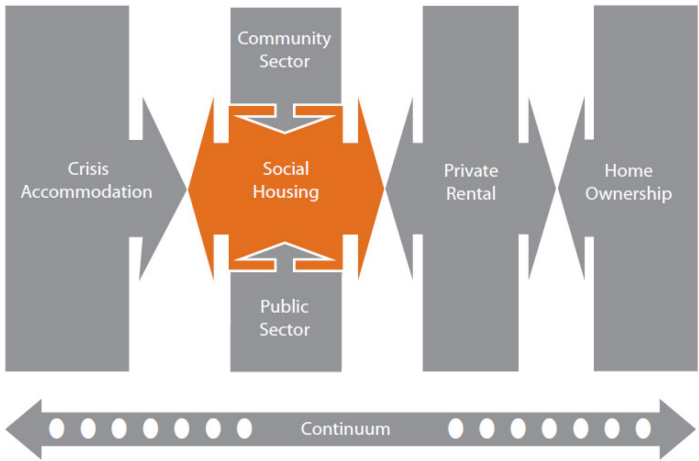
⁷ Membership included: Anglicare, Community Housing Coalition of WA, Western Australian Council for Social Services, Western Australia Local Government Association, Real Estate Institute of Western Australia, Housing Industry Association, Hawaiian Group, Urban Development Industry of Australia WA, National Australia Bank, Department of Housing.

Figure 4: Strategy at a glance



Source: Department of Housing, 2010a:7.

Figure 5: The affordable housing continuum



Source: Department of Housing, 2010a.

The housing continuum approach was included in the strategy to resolve the issue of housing affordability (Figure 5 above) and generate initiatives from affordable home ownership, affordable rentals as well as public housing waitlist management. Underpinned by partnerships with the private and not-for-profit sectors to finance, develop and invest in affordable housing projects or manage more social housing, the strategy seeks to combine the strengths in the

community sector and work across the length of the housing continuum in a cost effective approach. Importantly, the strategy highlights the changing role of the Housing Authority from an organisation which supplies and manages public housing, to one which facilitates the delivery of affordable housing (Department of Housing 2012:3). While the overall objectives of the strategy are clear, what was less transparent is how these objectives would actually be achieved and who would be responsible (WA Interviewee 5).

3.2.3 Key actions

An initial set of actions, known as the 'breakthrough initiatives', were designed to create rapid systematic change within the organisation, while initiating the production of 20,000 additional housing opportunities. These actions included investment in affordable housing, the establishment of alternative housing products and markets, planning reforms, working with community housing organisations, increasing the volume of Keystart Assistance for eligible households, maximising involvement in NRAS, establishing a private rental brokerage scheme and a not-for-dividend housing company as well as introducing a housing needs register. The strategy also drew upon existing partnerships with industry and the not-for-profit sector which helped to ensure that the 20,000 target was achievable and was not going to become a political headache if it looked as if the target was not going to be met by the deadline.

The breakthrough initiatives were supported by three key approaches. First, strengthen social housing by increasing its diversity and reducing the barriers between public and not-for-profit sectors. Second, improve the supply of affordable dwellings outside the social housing system and finally, increase successful transitions through the social housing and wider housing continuum (Department of Housing 2010a). Each of these actions were measurable being assigned objectives, performance indicators, targets and milestones against a June 2009 baseline. As the strategy was put into practise, the language used to describe the objectives shifted, and arguably simplified. While remaining consistent with the direction of the strategy, the new outcomes outlined in the Progress Report (Department of Housing 2012) and Key Highlight Reports (Housing Authority 2013; Housing Authority 2014; Housing Authority 2015c; Housing Authority 2015d) were more streamlined with tighter indicators of success and more specific targets against which to measure achievement. Five key actions were identified:

- a strong transition-orientated social housing system
- affordable rental opportunities
- affordable land and housing supply
- affordable home ownership opportunities
- partnerships and reform across government and industry.

The evolution of the strategy was identified by interviewees as a positive change that demonstrated which agency was responsible for which objective and assisted external agencies to understand their role more easily. It demonstrated the dynamic nature of the strategy and the ability for it to continue along the initial direction while also adapting to organisational change.

3.2.4 Financial

Developed during the favourable funding period, as outlined in Chapter 2, the strategy benefited from a unique flow of financial resources to the state for the purpose of social and affordable housing including the National Affordable Housing Agreement, the nation building program and NRAS. By the time the 20,000 affordable housing opportunities had been delivered and the subsequent Aiming Higher document emerged in 2015 (Housing Authority 2015a), the discussions around finance were considerably more constrained.

The strategy has also been financed through additional state funding schemes and joint ventures with the private sector. For example, it included ways of leveraging investment from the private sector through joint ventures and other forms of partnership given the flow of Federal Government funds was only short term. In addition, expertise gained during the period up to, and during, development of the strategy led to the Housing Authority re-evaluating what the agency could offer or alternatively, secure from industry. For example, a government land asset was identified and private sector capital was used to deliver the One on Aberdeen housing development which included social housing, shared equity housing, affordable housing, and key worker housing, all at no cash cost to the government (see Randolph, Milligan et al. 2017). The success of these partnerships was also a function of timing. Following the GFC, the economy was slow and developers/builders were more open to these partnerships than they may have previously been. The Housing Authority was able to secure favourable terms on many deals generating the subsidy element of shared equity products. During the GFC, the Housing Authority was arguably *the* major player in the Perth residential development industry.

The inclusion of existing programs in the strategy was part of organisational change. Existing programs, for example including Keystart, and the Government Regional Officers' Housing funded by the state and Royalties for Regions program, brought with them established financial arrangements. Appendix 1 shows the programs under the strategy and the associated funding arrangement.

3.3 Mechanisms

3.3.1 Human Resources

Changes to the Department of Housing were fundamental to the success of the strategy. As seen in Table 5 below, the divisions of Housing, General Works, and Business Services were replaced by Strategy and Policy, Service Delivery, Commercial and Business Operations and Organisational Transformation. The restructure reflects the changing innovation and 'market driven' approach. The strategy and policy division emerged in 2009, led by a General Manager and was 'responsible for shaping and managing strategy and policy across all facets of affordable, social and public housing provision' (Department of Housing 2010b:14). While the strategy and policy division were responsible for delivering and implementing the strategy, the strategy became an important vehicle to bring about organisational change within the agency by providing a context within which all projects existed, a direction to follow, and tangible goals to achieve. This change is in part evident through the stated visions in the annual reports which shifted from 'Responding to the hopes of all Western Australians for their housing and construction needs' (Housing Authority 2009:2) to the vision of *Opening Doors*—a reflection of the all-encompassing nature of the strategy for the Housing Authority.

Table 5: Departmental structure 2007–15

2007–08	2008–09	2009–10 to 2013–14	2014–15
Director General	Director General Executive Director Strategy and Policy	CEO	CEO Executive Director Business Services
Deputy Director General Housing Deputy Director General Works	Director General Housing Services		
General Manager Business Services General Manager Review and Rebuild	General Manager Business Services General Manager Corporate Development	General Manager Strategy and Policy General Manager Service delivery General Manager Commercial and business Operations General Manager Organisational Transformation	General Manager Business Services General Manager Strategy and Policy General Manager Service delivery General Manager Commercial Operations General Manager Organisational Transformation
	Social Housing Coordinator		

Source: Authors.

3.3.2 Key players and their skills

Only a handful of people were involved in the initial development of the strategy. These included the Minister, CEO of the Housing Authority, a communicator, a strategist, a subject specialist, and a financial/property development expert (Table 6 below). However, as one interviewee remarked:

‘ ... We couldn't have got the strategy and the ownership of the strategy to where it got to without [the Minister] and [the CEO] ... ’ (WA Interviewee 4)

The combination of skills and experience were unusual. The strength of the team arose from their broad knowledge of policy and organisational transformation combined with expertise in the area of housing development. A change in government gave the CEO an opportunity to bring the strategist to the Housing Authority. Given the lack of housing experience, it is unlikely the strategist would have been employed in this position through the usual public sector processes. The strategist was very experienced at working within political environments, understood how to manage political timeframes, recognised the importance of realistic goals, and how to keep an issue at the forefront of political conversations. From this experience, the strategist understood that the reality of the political cycle must be taken into account—therefore,

regardless of a strategy's timeframe, realistically it had two years in which to be successful—'if you get longer, it's a bonus' (WA Interviewee 1).

The Strategist was the primary author and approached the strategy from a market-orientated angle. Realistic short-term goals were established, which was critical in demonstrating success to gather momentum and therefore political support for the medium to longer term goals. Pre-existing programs such as Keystart and NRAS formed the basis of achieving these short-term goals. Importantly a stretch target was included to protect against the assumption that it was 'job done' on the delivery of 20,000 homes.

The Communicator had a detailed understanding of strategy and policy and ensured that the goals set by the Corporate Executive were communicated effectively; both internally and externally. This individual garnered support from all levels within the Housing Authority through formal and informal meetings. This process ensured that staff were well versed in the goals of the strategy so once it was operational, it remained central to the core business within the Housing Authority. Communication included a celebration of all successes, regardless of size, by everyone in the organisation.

The Subject Specialist brought experience in development and housing policy to the team. As a member of the Secretariat for the Social Housing Taskforce Report, the subject specialist, was involved in the collation of information from stakeholders and the analysis of the data. As the outcomes from this process were used to shape the strategy, the subject knowledge was particularly useful. Beyond the subject knowledge, the subject specialist was described as having 'excellent policy writing skills' and an 'ability to think systematically through an issue' (WA Interviewee 1).

The Property Development Specialist had significant development experience in the private sector and with a market approach to project management, was able to maximise the role that the Housing Authority could play in the production of new affordable housing supply. Rather than taking a passive approach led by the private sector, the Housing Authority became equal partners in the development and, as a result, were better able to leverage affordable housing outcomes. The change in approach altered how:

'... we engage with the financial and property development industry to make sure that governments are entering into those arrangements on purely commercial terms, but then we capture the value for social outcomes ...' (WA Interviewee 4)

Table 6: Key players in the formation of the Opening doors to affordable housing strategy

Role	Skills
Minister	Reformer, ability to get projects endorsed by Treasury, strong interest in issue of affordable housing
CEO	Leader, substantial experience in government, bringing commercial focus to a traditional public service agency, strong record of innovation
Communicator	Joined the Agency in 2008 with 25 years of policy and strategic development roles
Strategist	Started in 2008 with a number of years' experience in government, progressive politics, strategist, ability to analyse data, determine a realistic goal, and identify a strategy to achieve that goal
Subject specialist	Subject specialist in housing, property and urban development
Financial/property development specialist	Knowledge of the commercial world Experience in property development industry from the private perspective

Source: Authors.

3.3.3 Leadership strategy—communication within the organisation

One of the objectives of the strategy was to bring about organisational change. In this sense, the strategy was used as a vehicle to re-focus the Housing Authority. This process was driven largely by the CEO and the communicator, supported by those in the Corporate Executive and regional manager levels. The new CEO recognised the need to '*... change the agency from a practice lead agency to a policy lead agency ...*' (WA Interviewee 2). The leadership team aimed to involve as many people as possible within the organisation in the strategy dialogue as it was being drafted, including annual visits to regional offices by the CEO. The purpose of this approach was to ensure that once the strategy was launched, there was a high level of ownership by those across the Housing Authority. As part of this approach, successes within divisions were celebrated by the Housing Authority as a whole. Celebrations ranged from email communications through to a BBQ for staff. This was considered part of the process required to ensure that every individual was working towards the vision of the strategy.

Once the strategy was launched, conversations were held with key individuals within each division to make sure that its objectives were becoming part of the 'business-as-usual' approach and that the messages were filtering through the whole organisation. One of the lessons learnt from the approach was the importance of having a team of people focused less on individual programs and more on how those programs responded to the direction of the strategy. For a period of time the Housing Authority had a small team of people charged with keeping the objectives of the strategy visible throughout the organisation to ensure that program and corporate-level business didn't take precedence and the strategy maintained momentum.

3.3.4 Graphical representation of the strategy

The graphical representation within the strategy was one of the key components for consulting both internally and with external agencies. The use of graphics put the strategy into an identifiable context and demonstrated the meaning of affordability on a continuum. The decision to condense the key components of the strategy into a graphic was very deliberate. For example, the strategy graphic highlights the 20,000 dwellings by 2020, but it also demonstrates the objective to change the system of responding to the issue of affordable housing, particularly in regard to the role that many agencies and industry groups have to play.

The concept of the housing continuum was first described in *More than a roof and four walls*, however in the strategy a graphic was designed to explain it to a broader audience. The graphic allowed people to visualise the concept of affordable housing and identify key blockages. As a result, policy-makers and industry representatives understood that affordable housing was more than just public housing and consequently also the role of agencies outside the Housing Authority, such as the Department of Planning.

3.3.5 Methods of engagement

Consultation with other government agencies, the not-for-profit sector and industry was a key part of the strategy. The origins of the approach to engagement began with the diverse composition of the Social Housing Taskforce and the range of organisations consulted as part of the investigation. While the Housing Authority was the lead agency, importantly, 12 other key state agencies with a potential role were also identified. These included the departments of planning, transport, finance, local government and communities and the treasury. As a result of their involvement in the Taskforce and its outcomes, those agencies consulted during the process maintained an interest in the issue of affordable housing and became part of the government-wide framework which was subsequently included in the strategy. This was also central to ensuring that Cabinet support was achieved without opposition.

The process of drafting the strategy included close consultation with government agencies, housing industry representatives and community organisations. Once a full draft of the strategy

had been completed, the strategist and communicator formally met with key organisations to present and discuss the draft strategy. The most important aspect of the engagement was ensuring that agencies were aware of what the strategy was aiming to achieve, how that would be done, and the crucial role that each agency was required to play in the implementation. The strategist and communicator also provided the opportunity for agencies to debate the strategy and demonstrated that concerns had been taken on board. Some negotiation was required when asking other agencies '... to support an agenda which they may not see as their primary focus ...' (WA Interviewee 3). For example:

'... Housing's got a very clear mandate about providing supply, affordability, diversity, and then there's the social housing agenda. Planning has got a much broader set of things they're trying to deliver, of which housing affordability is just one ...' (WA Interviewee 5).

In an unusual move, the Housing Authority part-funded a position of an individual in the Department of Planning. Governed by a Terms of Reference, the position was involved in the implementation of the strategy. Having a representative within the agency ensured that the topic of affordable housing remained on the agenda of the WA Department of Planning.

The lack of resistance to the strategy is likely to be a function of the multi-disciplinary approach taken by the Taskforce and the consultation with groups in the early stages of their reporting. The process ensured that agencies and industry groups were involved in identifying the problem, its complexity, shaping the solution and identifying their role in that solution. Those issues that couldn't be resolved within the scope of the strategy were discussed with the agency. When the final Cabinet submission was prepared it included a spreadsheet showing each agency that had been consulted, the issues raised and how the issues were resolved. The strategy met no objection when it arrived at Cabinet. External government agencies understood the strategy as a WA Government Strategy, not a Housing Authority Strategy and that they had a role in the solution. This is important because once an agency is identified as a contributing partner to a solution and the strategy has been signed off in Cabinet, it is much harder for a Director General or Minister from another portfolio to not meet that commitment.

3.3.6 Post strategy engagement

Engagement within and outside the Housing Authority did not end with the endorsement of the strategy in Cabinet, although it did reduce. In terms of external engagement, two forms of consultation continued during the life of the strategy. Formal consultation took place through bi-annual Ministerial Roundtables, governed by a Terms of Reference and chaired by the Minister. Participants at these events were usually individuals with an interest in affordable housing. The purpose of the Roundtables were to recognise changes to housing affordability issues and identify solutions to which they could collectively contribute, '*... rather than just pointing at government and saying: What are you going to do to fix the problem? ...*' (WA Interviewee 4). Less formally, as the strategy was implemented the communicator held regular meetings with Taskforce members to continue their role as 'think-tanks on certain issues'.

3.4 Outcomes

3.4.1 Outcomes as a function of the Affordable Housing Strategy

The strategy set the target of producing 20,000 affordable homes by 2020. This was to be achieved through a series of key actions under the headings of social housing, affordable rentals, affordable home ownership, and partnerships across government and industry. Some of the performance indicators in the strategy were derived from weak data sources. As a result there is a degree of disconnect between the measured indicators in the first few years of the strategy when compared to the most recent performance reports. One interviewee commented:

'what we considered a success has matured' (WA Interviewee 4) as more data has emerged. While the fundamental elements haven't changed, the way in which the indicators are reflected have.

The target of 20,000 affordable dwellings was reached by June 2015. Appendix 2 demonstrates the cumulative achievements of the strategy from December 2012 to June 2016 and Table 7 below details how the target was researched and the new targets set for 2020 (Housing Authority 2015a).

'... Most notable, was our achievement of the target of 20,000 affordable housing opportunities five years early. In response, Cabinet has approved a new roadmap for the next few years and a new 30,000 target by 2020 ... ' (Housing Authority 2015b:5).

Half of the target was delivered by low deposit home loans (Keystart). These loans can be used to buy an established or a new dwelling so it can be argued that the loans have not resulted in a new supply of affordable housing. However, the loans have delivered affordable housing opportunities to households who would not have otherwise been able to purchase due to deposit and lenders' mortgage insurance requirements and would otherwise have remained in the private rental sector, often paying a rent that was higher than their subsequent mortgage.

NRAS delivered over 10 per cent of the total and the SHI provided a large proportion of the new social rental dwellings, emphasising the importance of Federal Government funding in helping to deliver the 20,000 target. Only a small proportion of the overall total resulted from joint ventures with the private sector. Shared ownership and shared equity products comprised the remaining 10 per cent of dwellings and these were predominately new houses.

Table 7: New targets, Affordable Housing Strategy 2010–20: Aiming higher

Activity	Delivering 20,000 affordable dwellings	New target
Social rental	5,400	7,200
Affordable rental	2,700	4,300
Shared equity home loans	1,900	2,600
Low deposit home loans	10,000	15,900

Source: Adapted from Housing Authority, 2015a.

In addition to the figures above, rental bond assistance is not included, nor are 12,000 lots produced in partnership with the private sector, the majority of which were below the local median price. The Assisted Rental Pathways pilot has also commenced and will support 200 households to transition from public housing or the waitlist to supported and affordable accommodation in the private rental sector for a period of four years.

Following the success of the 20,000 dwellings, a new target of 30,000 was set (Housing Authority 2015a). The new targets were important to maintain the momentum behind the strategy and re-focus attention. It remains to be seen whether the change in government of May 2017 will have an impact on the operation of the strategy. The Housing Authority has now been merged with two other departments into the Department of Community Services. This may impede the Housing Authority's ability to respond quickly to new funding opportunities and housing market conditions and hinder innovation due to the size of the merged department. On the positive side, the Director General of the merged department was the CEO of the Housing Authority during the development of the strategy and was responsible for creating the conditions that delivered much innovation during this time.

3.4.2 Additionality and organisational change

It could be argued that the 20,000 dwellings would have been delivered even without the strategy. For example, Keystart was already operating, NRAS had commenced, the Government Regional Officers' Housing and East Kimberley Transitional Housing were funded through Royalties for Regions and the Ord-East Kimberley Development Plan, respectively, asset transfers to the community housing sector were driven by SHI and the *One on Aberdeen* and *Stella Orion* projects commenced while the strategy was being drafted. The strategy is, however, likely to have influenced the number of dwellings produced as part of these existing programs. Prior to the strategy, the appetite for NRAS for example was limited, however it increased following publication of the strategy and a growing acceptance of the importance of diverse affordable housing options. The strategy shifted the community conversation from a focus on public housing to an understanding of affordable housing along a continuum and it introduced the conversation into the public domain, raising awareness of the issues.

The strategy also altered the behaviour of government and the housing industry, particularly the appetite of developers to partner with the Housing Authority to deliver housing as the number of successful schemes grew, resulting in more affordable housing being produced than would have otherwise been the case. It also altered the ways in which the Housing Authority was prepared to partner, again increasing housing supply opportunities that would not have been there without the strategy. In addition, the formality of having the strategy endorsed by Cabinet gave it more accountability and increased the chance of existing ideas to be translated into tangible outcomes.

Organisational change was one of the stated objectives of the strategy. The strategy offered a way for the Authority to work towards a common vision and understand the role that staff played in its success. The level of expertise has shifted within the organisation, particularly in terms of those required to establish partnerships with industry and leverage the most from government assets. The Housing Authority moved away from simply being managers of public housing, making big strides in ditching the HomesWest label synonymous with problem tenants and the stigma attached to affordable housing. Affordable housing now means more to the local housing industry than simply public housing and the housing continuum is widely recognised as a way of conceptualising affordable housing and educating both industry and the public about the many forms of housing and its many types of tenants.

3.5 Government partnerships and innovation

Table 8 below highlights some of the private sector partnerships that have delivered, or are currently delivering, affordable housing opportunities (as defined by the Housing Authority). The opportunities include lots below the median price, shared equity units, social housing for rent and homelessness support. The most common form of joint venture is through partnerships to deliver land subdivision with a proportion of the lots available to the Housing Authority. Landcorp, the state's development company, and the Metropolitan Redevelopment Authority, also deliver lots or affordable units to the Housing Authority under agreement.

The Ellenbrook land development is one of the oldest examples, with a partnership established in 1994 between the then Department of Housing, who took a 47 per cent stake in the land, and the developer, LWP, delivering a proportion of completed lots to the department ever since. This has produced a consistent supply of below Metropolitan median priced lots and also enabled the Housing Authority to deliver a range of housing products suitable for those on incomes eligible for Keystart, including the shared equity products. The Housing Authority used Ellenbrook to successfully demonstrate the demand for smaller lot products, with 80m² micro lots now on the agenda, to deliver affordable housing opportunities.

The Housing Authority has often used its joint ventures to deliver demonstration projects, showing the market what can be achieved. These include urban villages (Harrisdale) and transport-orientated developments (Cockburn Central and Wellard) which have showcased a range of dwelling types, perhaps common in other states but not so in Western Australia. New technologies have also been trialled through the Housing Authority forming a partnership with a company that delivered 77 apartments through modular construction with the development including social housing, NRAS and shared equity units (Adara). The Housing Authority helped kick-start development at the Cockburn Central TOD by partnering with the private sector to deliver apartments and reducing the risk associated with the new development by agreeing to purchase apartments that were not sold to the private sector. This partnership stimulated development that may not otherwise have taken place at a time when the housing market was soft.

The use of land as equity has delivered a number of successful infill projects. For both the *Abode* project and *One on Aberdeen* projects, within the City of Perth, state-owned land was used as equity in an agreement with the builder Diploma who provided the development finance and construction. Leveraging external capital in this manner meant that the Housing Authority did not need to use its own capital within the development. The projects mixed market housing with public housing, NRAS, shared equity dwellings, and a key worker component in the case of *One on Aberdeen*. NRAS was an important component of both developments. The ability to mix market sales with affordable housing has a number of advantages, not least creating mixed communities and the ability to cross-subsidise the affordable housing element. Full details of the *One on Aberdeen* project can be found in Randolph, Milligan et al. (2017 forthcoming).

The Housing Authority, through successful joint ventures, has built a good relationship with the private sector and often calls for expressions of interest to partner on specific sites. Its ability to understand and work with the market has been a major part of this success. The number of lots delivered through joint ventures is significant, over 12,000, and lots have been supplied across Western Australia. Not all are affordable and they are sold at market value, but the location tends to mean they are below the median price. Perhaps the greatest value in these joint ventures is delivering innovation within traditional subdivision developments, where the location permits.

A need to increase the level of housing diversity is a common theme running through all levels of the housing industry in WA and developments such as Ellenbrook, Brighton at Butler and Cassia at Kwinana have been able to deliver an element of diversity to showcase how such development works. The success of these partnerships has allowed more creative thinking delivering the new infill projects such as *One on Aberdeen*. The Affordable Housing Strategy played a major part in the development of such innovation, helping to increase the level of market knowledge and expertise in the organisation allowing the Housing Authority to use market conditions to their advantage. The ability to operate counter cyclically is extremely important when delivering affordable housing. It keeps the development industry working and allows the delivery of a product that might not be possible when operating in a strong market.

The Housing Authority has also partnered with the community housing sector, including asset transfers, and other not-for-profit entities. One example of an innovation is the Oxford Foyer project delivering a 98 room housing support complex for homeless youth and the conditions to support training and employment. This is a model adopted in many countries around the world and brought together a number of not-for-profit organisations. In this case the WA and Federal Governments provided the bulk of the funding with additional contributions from Foundation Housing and BHP Billiton, with a range of not-for-profit organisations delivering the support services.

Partnerships have delivered a range of affordable products and a number of innovations which have since been adopted by the private sector—for example, much smaller lot sizes. The

Housing Authority has played a very important role in not only delivering affordable housing but helping start the shift away from the WA market's reliance on traditional forms of housing and towards more housing diversity.

Table 8: Examples of Housing Authority joint ventures

Location	Development	Joint venture partner	Details
City West train station, West Perth	Abode	Diploma	Housing Authority used land as equity with Diploma providing finance and construction—86 apartments, 28 per cent affordable
Northbridge	One on Aberdeen	Diploma	Housing Authority used land as equity with Diploma providing development finance and construction—161 units, 50 per cent affordable
Oxford Street, Leederville	Oxford Foyer	Government provided the land and the Federal and WA Governments provided nearly all of the Capital. Partnership with Anglicare, Foundation Housing, BHP Billiton, the Central Institute of Technology, Lotterywest, the Departments of Housing and Child Protection and Family Support, and the Federal Government	The Foyer is an integrated housing and support model for addressing youth homelessness and helping to transform the lives of vulnerable young people.
Success	Adara Building	Developed by Goldmaster—private company with Housing Authority as a shareholder	77 apartments. Modular construction—96 modules prefabricated in a Melbourne factory, then shipped to Perth.
Cockburn Central	Stella Village development	Various partners including Australand	Development has delivered over 400 dwellings to date, with potential for over 1,000 more. Transport-orientated development including shared ownership options.
Ellenbrook	Ellenbrook	Partnership with an LWP syndicate (Morella) and LWP as developers	Commenced in 1994. 11,000 dwellings and \$2 billion in investment. Lots delivered to the Housing Authority for the delivery of a variety of housing products.
Wanneroo	Banksia Grove	Housing Authority and Banksia Grove Development Nominees Pty Ltd	4,000 dwellings in the north of Greater Perth offering affordable land and housing opportunities

Location	Development	Joint venture partner	Details
Byford	Beenyup Grove	Housing Authority and a private syndicate. Sold and managed by Parcel Property	460 lots including shared ownership
Butler	Brighton at Butler	Housing Authority and Butler Land Company, managed by the Satterley Property Group.	Range of different housing products including shared ownership and smaller lots
Kwinana	Cassia	Housing Authority (Land Owner) and Satterley Property Group (Project Development Manager)	Around 1,000 lots offering a variety of housing products
Mandurah	Golden Bay	Housing Authority and PEET	1,750 home sites over 10 years including a range of affordable housing options
Harrisdale	Harrisdale Green	Housing Authority and Cedar Woods	Urban village with up to 500 new homes including a range of affordable housing options
Girraween, Balga, Koondoola and Westminster	The New North	Housing Authority and Satterley/McCusker Property Group	18 year program including the redevelopment and/or refurbishment of the Housing Authority's properties four suburbs
Geraldton	Seacrest	Housing Authority and Springdale Holdings Pty Ltd and managed by Humfrey Land Developments	The project commenced in 2000 and comprises the development and sale of residential land, provision of land for schools, recreation and commercial facilities
Wellard	The Village	Housing Authority and Peet Limited	Transport-orientated development around Wellard train station delivering a variety of housing products

Source: Housing Authority webpage: <http://www.housing.wa.gov.au/housingoptions/homeownershipoptions/LandandHousing/Pages/Land-and-Housing-Developments.aspx>

3.6 Lessons learnt and potential for replication

The success of the strategy is arguably a result of political timing, property market cycles, and personalities. Timing resulted in a change of government and the appointment of a Minister for Housing who understood the importance of affordable housing, while he was simultaneously the WA State Treasurer. The Housing Authority was a stand-alone department, not part of a much broader organisation responsible for multiple portfolios, present in other states. This allowed it a degree of autonomy, providing flexibility and room to innovate.

From an economic perspective, the economy was slowing meaning the private sector had an appetite for joint ventures to keep business moving. The new CEO of the Housing Authority took an innovative approach and was quick to respond to opportunities. The team selected by the CEO had considerable combined experience in the public sector, albeit not focused on the housing sector, but an excellent understanding of political motivations and the importance of communication to gain the support of those required to deliver a positive policy outcome.

The strategy was largely drafted by an individual with strategy writing skills, supported by a communicator who understood the importance of communicating the strategy to those within and external to the agency, combined with the knowledge of a subject specialist. This is rather a unique combination and *'... the fact that they didn't see the world through a Housing Authority lens shaped the report in a way that wouldn't have been done if it had been written by someone who had been working [at the Authority] for 5 years or more ...'* (WA Interviewee 3). In addition, the business model within the agency was shifted by an individual who had worked in the private sector and could see the value offered by the Housing Authority in industry partnerships. So the success has really been driven by a few key individuals (WA Interviewee 5).

Can it be replicated? While some elements of the success of the strategy were a function of luck and timing, what can be learnt is the way that the strategy was developed in consultation with industry and the ways in which the aims of the strategy were communicated both within and outside the organisation and government. A flexible organisation within which innovation can flourish and within which staff with complementary skills sets come together is also key. Early, detailed and continuous consultation is critical.

'... One of the reasons that the strategy has endured, is because it is not just the community sector advocating from a strong human services side, or the property sector advocating for various property focused responses. It's got that support across broad sectors that may otherwise disagree with one another about what the priority should be ...' (WA Interviewee 3)

In terms of innovation through partnerships and joint ventures there is plenty to be learnt from the Housing Authority. A market-orientated approach recognising opportunities to deliver housing, which often flow from poor market conditions, relies on employing staff with appropriate industry experience who are allowed to operate almost in a private sector environment. This is often difficult in large public sector organisations bloated by layers of bureaucracy.

3.7 Case study 1A: East Kimberley Transitional Housing Program (WA)

3.7.1 Introduction

Wunan⁸ and Community Housing Limited (CHL)⁹ entered into a joint venture partnership with the Housing Authority to deliver the East Kimberley Transitional Housing Program. The program built on an earlier Wunan program designed 'to assist Aboriginal people to develop independent lives and save for their own home' (Wunan n.d-a). The objective of the Transitional Housing Program was to produce 40 new houses across a range of dwelling types in Kununurra¹⁰ to provide stable, supported accommodation for the participants. Support services include financial planning and counselling, assistance with health management, mentoring for maintaining working and training, assistance with parenting, home management or home loan applications (Centacare Kimberley 2015). The services are tailored to the needs of individual participant households. Additional objectives developed for the program included increasing and diversifying the supply of affordable housing in East Kimberley. The Wunan program was unique because it combined positive outcomes in terms of employment/training and education with stable housing opportunities with the ultimate aim of transitioning tenants into owner occupation. When their financial and personal capacity allows, participants may purchase their transitional housing property through either shared equity or private home ownership. The Transitional Housing Program in Kununurra was viewed as a pilot which, if successful, could be developed in other parts of the East Kimberley region (Wunan 2011).

To be eligible for the scheme, participants must be of Aboriginal descent, be employed or in training (Housing Authority 2016d) and those with children must ensure a high level of school attendance (Centacare Kimberley 2015). They must also be committed to Wunan's support program, maintain the house, pay rent 'and be willing to make the transition into self-sufficiency and independence' (Wunan n.d-a).

3.7.2 Context

The East Kimberley Transitional Housing Program has grassroots origins which began two decades ago. In 1997, Wunan, a not-for-profit, non-government Aboriginal organisation, was established with a vision of investing in the community and its economic future. Despite the economic opportunities from natural resources in the East Kimberley, the Aboriginal population have experienced significant levels of disadvantage relative to the non-Aboriginal population including lower levels of school completion rates, stable employment, lower median incomes and rates of home ownership (Wunan n.d-b). The housing options in the region were limited, of poor quality, issues such as overcrowding, homelessness were not uncommon, and public housing waiting lists were long (Department of Regional Development and Lands 2008). The situation contributed to a reluctance to accept and retain employment opportunities in the region (Department of Regional Development and Lands 2008).

The Chair of Wunan saw an opportunity to achieve improved conditions for the Aboriginal population through education, employment and training with housing being identified as a key component in changing the socio-economic disadvantage experienced by Aboriginal

⁸ Wunan is an Aboriginal development organisation in the East Kimberley with a strategy to drive long-term socio-economic change for Aboriginal people by opportunities, investing in people's abilities, and by encouraging and rewarding aspiration and self-responsibility, <https://wunan.org.au/about>.

⁹ Community Housing Limited is a national and international housing provider delivering affordable housing. It has over 6,000 properties under management across Australia.

¹⁰ Kununurra is located in the far north eastern part of the Kimberley region of WA around 40km from the border with the Northern Territory. It is 3,000km from Perth.

households in the region (Wunan n.d–a). Wunan’s vision was clear—combine jobs, education and housing, adequate incentives and proper support as a way to invest in the human and economic capital within the region. Initial programs began as group training but it soon became clear that the participants required stable accommodation to be able to succeed. A former Bed and Breakfast was purchased and operated as a training hostel. This was the first time in the region that accommodation was tied to employment and training. Partially successful, the trial highlighted the need for participants to be given a strong incentive to be involved in housing decisions as well as some targeted support programs. Subsequently, the *Stepping Stones* program emerged in 2008, in which Wunan invested \$100,000 and the Housing Authority approximately \$400,000. A local Aboriginal construction group was contracted to build four units to provide stable housing for those involved in the training program. It operated on a small budget for three years and while it was a great prototype, the program still lacked sufficient scale given the number of potential participants.

Following the trials, they tendered for funding to be used to refine the architecture of the program and successfully received \$90,000. Simultaneously, the Rudd Labor Government and the WA Government developed the *Ord-East Kimberley Development Plan* and the *East-Kimberley Development Package*. Wunan contracted a consultant to assist them to develop a strong submission to bid for funding from the package to expand their program. Ultimately, \$20 million was secured through the Federal Government to deliver 40 units and a partnership was developed with the Housing Authority to deliver these units under the East Kimberley Transitional Housing Program.

Key actions taken

Once Federal Government funding had been secured, Wunan and the Housing Authority co-designed the template for the construction and operation of 40 dwellings. The Housing Authority dedicated a full-time officer to the project and worked in conjunction with Wunan. Together, they developed the original concept into a program that clearly identified the problem and the structures and wrap-around services necessary for participants to succeed. As a result of the design process, the final program incorporated well located dwellings, appropriate rent contributions, and wide-ranging support mechanisms. The Housing Authority contracted the construction of the dwellings and then engaged Wunan to provide the household support services and CHL to manage the assets in terms of property allocation, maintenance, inspections, arrears management, and strategic asset management including sales to tenants and replacement of properties.

Organisational capabilities

The key leaders in this affordable housing program were the Chair of Wunan and the CEO of the Housing Authority. The Chair had the vision for the program and the drive to secure funding and the CEO recognised the potential in the innovative housing solution. Great insight was shown by the CEO as the program delivered a product that was broader than housing, a move which was not core business of the Housing Authority, but one which was in keeping with the approach adopted by the Affordable Housing Strategy. The financial resources were delivered through the Federal Government with the Housing Authority providing a full-time project officer to the program. The political will for the project came from the Federal Government, those organisations involved, as well as the support of the Shire of Wyndham-East Kimberley and the Kimberley Development Commission.

3.7.3 Mechanisms

Financial

The East-Kimberley Transitional Housing Program is funded under the *Ord-East Kimberley Development Plan*. Released on December 2009, the plan includes two components—the *Ord-*

Irrigation Expansion Project and the *East-Kimberley Development Package* which was jointly developed between the Federal and Western Australian Governments. The latter scheme included funding assigned to, inter alia, health, aged care, early childhood development, family services, education and vocational training, social and transitional housing, transport and sporting and community facilities, sustainable jobs for local Indigenous people. The funding for the *Ord-East Kimberley Development Plan* was delivered through both Federal and state contributions, however, it was \$195 million contributed by the Federal Government as part of the National Building—Economic Stimulus Package between 2008 and 2010 which was directed towards improving the social and economic disadvantage in the region. While the \$20 million funding was secured by Wunan from the Federal Government, the most logical place for the management of those funds was through the Housing Authority. Land for the development of houses was negotiated through Landcorp and the Minister for Regional Development.

Human Resources, leadership and methods of engagement

Three long-established organisations were involved in the implementation of the Housing Transition Program including Wunan, the Housing Authority and Community Housing Limited. As previously noted, the Housing Authority was responsible for constructing the dwellings, Wunan for providing the support services to the participants, and CHL for the tenancy and asset management of the 40 dwellings.

The leadership for the program came from the Chair of Wunan. Described as a visionary and determined to pursue a position for the betterment of others, the Chair was a '*resilient, very likeable character*' (WA Interviewee 7) with two decades of experience in lobbying for and driving social and economic change for Aboriginal people in the region. The Wunan Board of Directors was specifically selected for their experience and skills and included 'a mix of Aboriginal people residing in the East Kimberley and non-Aboriginal people who can offer expertise in the areas of commerce, investment and corporate governance' (Wunan n.d). All were strong supporters of the organisational direction. The Chair provided the vision for the program while the board members designed the program architecture through the early concepts to the Stepping Stone program. As a team, Wunan continued to look for opportunities to progress the concept on a larger scale.

The clear concept combined with the Chair's vision and drive helped generate support and sustain a good working relationship between Wunan and both the Regional Development Commission and the Housing Authority. Leadership was also demonstrated from within the Housing Authority. The housing transition program sat outside the normal business scope for the Housing Authority, but the CEO saw that while the focus incorporated more than a physical dwelling, there was great potential for it to meet the objectives of the Affordable Housing Strategy. It was clear when speaking to Housing Authority staff involved in the program that they had a great passion for the program and believed it delivered very positive social outcomes for the tenants.

3.3.4 Outcomes

In 2012, the Transitional Housing Program produced 40 newly-constructed transitional houses in a range of dwelling types in Kununurra for the purpose of providing stable, supported accommodation for the participants. The program is considered to have been a success (Table 9 below). Since its inception, 'school attendance, employment and training rates of program participants, have risen to well above the average for Aboriginal people in Western Australia' (Housing Authority 2015e). In addition, home loan applications have been submitted by four program participants, two have achieved home ownership and two have been pre-approved for a home loan (Housing Authority n.d).

Table 9: East Kimberly outcomes

Measurement	Result
Engaged in employment/training	At least one person in every household
School attendance rates	93 per cent
Applying for home loans	9 families
Home loans approved	3 families
Moved into home ownership	2 families

Source: Adapted from Housing Authority (2016a).

Impact of leadership

It is likely, given the drive of the organisation, the East Kimberley Transitional Housing Package would have been realised regardless of the Affordable Housing Strategy or the funds injected by the Federal Government through the Ord-Irrigation Expansion Project. In the absence of Federal Government funding, interviewees commented that the program would have developed albeit more slowly and in smaller steps given the leadership and dedication of the Chair and the team at Wunan. In the case of this program, an innovative concept was being pursued by some astute individuals. Those involved in the vision from Wunan were continually surveying the landscape for funding opportunities and were well positioned when one did arrive.

3.7.4 Lessons learnt and potential for replication

Now that the concept has been refined and further developed, the Transitional Housing Program is replicable. Following the success in Kununurra, the program was implemented in Halls Creek in 2014. An additional 22 transitional houses were built, funded under the WA Government Royalties for Regions program and developed in partnership with the Housing Authority, Kimberley Development Commission and the Halls Creek Aboriginal Housing Group (Housing Authority n.d). Completed in two stages, the Halls Creek Transitional Housing program developed a mix of single and double-storey units ranging from one-bedroom to four-bedroom dwellings (Housing Authority n.d).

Perhaps more difficult to replicate is the process involved in the development of the program including the innovative vision and the tenacity of those pursuing the program. The program was driven by only a few key individuals, who were determined, innovative and willing to look outside previous methods used for both housing delivery and solutions to socio-economic disadvantage in the East Kimberley. The leadership, expertise and personalities of these individuals garnered local, state and federal support. In addition, the initial concept was developed independently of government intervention at a grass roots level. It generated local support and was in a position to expand when the funding opportunity arrive. To duplicate an innovative concept such as this one requires a flexibility within government to recognise and be able to support ideas that may sit on the fringe of core business. While its inclusion in the Affordable Housing Strategy places a focus on the delivery of affordable housing outcomes, dwellings are not the central component to the program. Rather, housing is one part of a range of outcomes including employment or training and education linked to appropriate support and this combination has resulted in a successful program.

4 Case study 2: Affordable Housing Action Plan (ACT)

- The ACT Affordable Housing Action Plan was launched in April 2007 following the recommendations of the ACT Affordable Housing Steering Group which was completed in March 2007.
 - The Action Plan was very much focused on actions. It detailed 63 actions, targeting housing actions across all tenures, including some actions relating to the homeless.
 - The ACT Government implemented all but three of its action items (the main issue with the remaining action items related to changing market conditions and the GFC).
 - The main outcomes were an overall increase in land supply, an increased focus on more affordable land lots, the creation of an affordable house and land package (the OwnPlace scheme), the creation of an innovative home ownership product (the Land Rent Scheme), the addition of 500 affordable housing dwellings, and the expansion of community housing capacity in the ACT.
 - Lessons from the plan include the need for political and bureaucratic leadership to focus the efforts of the multiple agencies involved in the delivery of affordable housing, the significance of CHPs in the provision of an affordable housing strategy and the importance of land release in an affordable housing strategy.
-

4.1 Introduction

The ACT Affordable Housing strategy was a whole-of-government strategy aimed at delivering a cross-government affordable housing strategy, particularly focused on the bottom two ACT income quintiles. It was a key policy plank of the Stanhope Labor Government.

This section of the report reviews Phase 1 of the 2007 ACT Affordable Housing Action Plan (AHAP). This was announced by the ACT Government in April 2007 and based on the report of the ACT Affordable Housing Steering Group which was completed in March 2007. The Chief Minister announced the establishment of the Affordable Housing Steering Group in August 2006. Its brief was 'to advise the Government on initiatives to increase the supply of affordable housing in the ACT' (ACT Government 2007b). The Chief Minister's Department chaired the Steering Group, with participation from the ACT Treasury and the Department of Disability, Housing and Community Services.

The method used in this project was a traditional research approach involving desktop policy analysis and interviews with key informants. Relevant documents including appropriate reports, budget papers, housing statistics and media releases were analysed. In addition, a number of senior participants in the strategy were interviewed including the then-Chief Minister, the then-Under Treasurer (i.e. the Head of the Treasury Department), the then-Head of Policy Development in Treasury, and a senior official from the Chief Minister's Department.

Previous evaluations of elements of the plan have provided detailed insight into some of the implementation issues¹¹. This background knowledge of the details of the Affordable Housing Strategy added considerable value to this case study analysis.

While a number of documents were examined, key documents concerning the development and outcomes of the plan include:

- Report of the Affordable Housing Steering Group, March 2007
- the Affordable Housing Action Plan 2007—the Plan adopted by the ACT Government, April 2007
- the Affordable Housing Action Plan, Progress Report 2008
- Final Progress Report Phase I and Phase 2, 2012.

4.2 Context

The context for the Action Plan is well described in the Introduction to the 2007 Plan (ACT Government 2007a:4):

In the period between 2000 and 2003, as part of a national trend, the median house price in Canberra almost doubled. This price growth reflected strong demand for dwellings driven by low unemployment, sustained wages growth, declining interest rates, competing investments, and subsidies such as the First Homeowners grant.

A member of the steering group put it in the following way:

'After 2006 ... only about 50 per cent of Canberra households could access the housing market ... it was about 75 per cent in 2003. We were interested in closing that gap. We tried to develop an analytical approach to what the housing need was and how we could target the solution ... ' (ACT interviewee 4)

The ACT Government was concerned about this escalation in prices for a number of reasons (ACT Government 2007a:5) and, as such, the aims of the plan were broad and included:

- reducing the level of homelessness in the community
- increasing community and individual wellbeing
- attracting and sustaining a diverse community with diverse housing needs
- enhancing the ability of the ACT to attract essential workers, and
- helping stimulate the growth of the economy.

Of special interest is the combination of economic and social objectives. The ACT Treasury had made the link between housing affordability and economic growth and this issue was embedded in the plan.

4.2.1 Strategy description and objectives

The main characteristic of the plan was its breadth as well as its depth. It was focused on change in many parts of what it called the housing continuum—from public housing right

¹¹ Peter Phibbs and Viv Milligan prepared advice to Community Housing Canberra on the Action Plan in 2007. They provided advice to the ACT Treasury on the Land Rent Model in 2007 and reviewed the scheme for the Treasury in 2012. They also participated in a review of Community Housing Canberra for the ACT Treasury in 2010.

through to home ownership. A diverse range of public and private housing has been developed in the ACT and provides a continuum of accommodation options ranging from public housing to subsidised rental through community housing, private rental and then home ownership. The plan aimed to make sure that as households change over the life course in size and composition, its members should be able to move between different forms of accommodation to meet their changing needs. As different needs cluster around the various stages of the housing continuum, the strategy aimed to establish initiatives that improve access to affordable housing across all types of tenure types. It therefore includes options for people accessing or eligible to access:

- home ownership
- private rental
- community and not-for-profit housing
- public housing, and
- supported accommodation, including emergency housing (ACT Government 2007a:5).

The 2007 ACT Affordable Housing Action Plan included four main strategies to boost supply of affordable housing through leveraging the ACT Government's control of land supply; developing strategies that increased home ownership for low-income groups and support for the CHP sector to increase the number of properties in their portfolio through a substantial injection of funding and other support.

Table 10 below describes the broad elements of the strategy by listing the areas it addressed, the total number of strategies in each area, and an example of a key strategy. There were 63 strategies in total.

The 2007 Plan was an ambitious strategy. The ACT is in a different position from other states in that it directly controls land supply and hence has available a series of land supply levers not available to other states or territories. Nevertheless, even taking this into account, comparing the 2007 Plan with previous and current state government strategies, the breadth and depth of the plan was unusual. Moreover, the nature of the strategies were very action and outcome-focused. There were very few 'investigate' or 'consider' strategies¹²—they were predominantly strategies that required specific actions.

A senior Treasury official described the breadth of the strategy as one of its strengths:

'... It went across a number of platforms—not focusing on just one strategy—it brought into it an economic bent into it. It did not look like it was just focused on one particular issue ...' (ACT interviewee 4)

The 2007 ACT Affordable Housing Action Plan included four main strategies to boost supply of affordable housing through leveraging the ACT Government's control of land supply; developing strategies that increased home ownership for low-income groups, and support for the CHP sector to increase the number of properties in their portfolio through a substantial injection of funding and other support.

¹² For example, the 2014 Sydney Metropolitan Strategy under Action Item 2.3.3—Deliver more opportunities for affordable housing—states that the government will: develop a comprehensive approach to this issue that involves all stakeholders—the government, local councils and the private and community sectors.

Table 10: Key elements of the Affordable Housing Action Plan (including outcomes)

Element	Number of strategies	Key strategy	Status 2011
Home Ownership			
Land supply	16	Accelerate the release of land to put downward pressure on price	14 IMPLEMENTED/ 2 ONGOING
Diversity of housing products	8	Introduce a quota of affordable lots	8 IMPLEMENTED
Planning and building regulation	1	Reassess the impact of planning requirements on the cost of dwellings	1 IMPLEMENTED
Other (mostly reducing ownership costs)	8	Establish the Land Rent Scheme	5 IMPLEMENTED 2 ONGOING 1 WITHDRAWN
Private rental	4	Seek private sector interest	1 IMPLEMENTED 3 ONGOING
Community housing	10	Grow CHC into large independent entity with dwelling targets	6 IMPLEMENTED 3 ONGOING 1 WITHDRAWN
Public housing	8	Increase proportion of 2-bedroom stock	1 IMPLEMENTED 7 ONGOING
Supported accommodation	3	Strengthen the transitional housing program	3 IMPLEMENTED
Aged housing	1	Identify development sites for aged housing	1 IMPLEMENTED
General measures	4	Ensure the supply of sufficient skilled workers to meet demand for housing construction	4 IMPLEMENTED
TOTAL	63		

Source: Authors.

Land supply

The AHAP included a number of strategies about how the ACT land supply process should be changed, focusing especially on how to bring more lots onto the market. The steering group diagnosed the problem in the following manner (ACT Government 2007b:16):

Supply-side measures try to improve affordability by increasing the availability of housing. The main affordability policy variable for the ACT Government on the supply-side is residential land supply. Residential land supply has a major long-run influence on dwelling prices, and hence long-term housing affordability. The government has a monopoly on the supply of new residential land and considerable control of redevelopment opportunities through planning policies. In recent years, for the

consumer, dwelling prices have increased disproportionate to the cost of production (labour and materials). Clearly, there have been supply constraints in the market.

This process was described in the report of the steering group (ACT Government, 2007b:12):

In December 2006, the government released its Land Supply Strategy for 2006–07 to 2010–11. The strategy is guided by key principles that land supply should promote economic and social development, achieve optimal benefits for the community, provide an appropriate choice of land and housing options, assist in the provision of affordable housing and allow a private land development market to operate competitively.

Importantly, the strategy provides for the release of sufficient sites to meet a demand for around 2,800 sites in 2006–07 and between 11,000 and 14,000 dwellings over the next five years

These new targets were embedded in the 2007 Action Plan and reflected a significant increase on the averages achieved by the government Land Development Agency (LDA) earlier in the decade¹³.

Land development is a valuable source of revenue for the government. In 2008, the LDA returned \$391 million to the ACT Government (LDA 2008:14) which is a significant amount of revenue for a small jurisdiction. To deal with the potential conflict between maximising the revenue for government and achieving affordable land supply outcomes, the 2007 plan had a specific strategy (ACT Government 2007a:8):

Incorporate principles from the Land Release Strategy and Affordable Housing Steering Group report into the Statements of Intent for both ACTPLA and the Land Development Agency. In particular, key activities for 2007–08 to 2010–11 should include clear, quantitative measures for delivering affordable housing outcomes.

It was considered that this strategy would help the LDA to focus on the price outcomes of their activities and not just on their financial performance.

Product diversity: Own Place

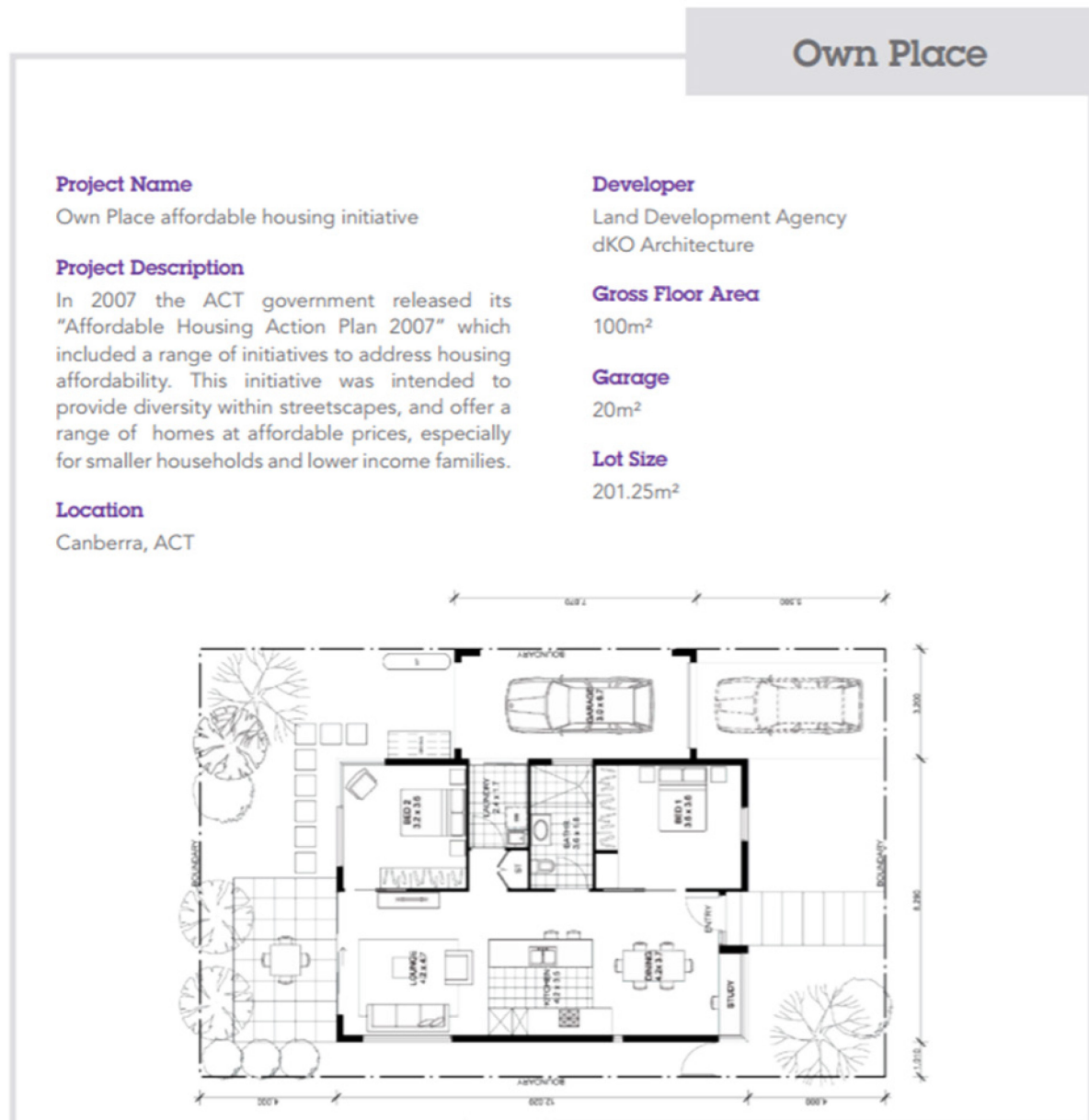
An issue raised by the Affordable Housing Steering Group report was the increasing difficulty of moderate-income households accessing the homeownership market. The issue and a possible solution was described in the report of the steering group (ACT Government 2007b:20)

As a result of the recent rapid rise in house prices, a range of households which had been able to access a significant proportion of the housing market five years ago now have access to only a very small range of housing. In broad terms, the middle third of households have had their access to purchasing housing reduced dramatically. In particular, there is a shortage of new housing in the \$200,000 to \$300,000 price range.

It is important to cater for a diversity of needs within the market. Current industry advice is that there is a strong need for single-level dwellings on small lots to cater for the growing market of 'empty nesters', first home owners and newly formed households looking for low maintenance new homes.

¹³ It is interesting to note that even finding this average required considerable investigation of the LDA's Annual report. It is not directly reported in a table in the LDA's annual report as it was in other state government land agencies, such as NSW Landcom, over the same period.

The Affordable Housing Action Plan introduced two new products in the market to cater to this moderate income group. The first was the establishment of small housing lots that could be sold at a price range accessible to this group. To facilitate this the Action Plan required all new greenfield estate deeds to offer 20 per cent of the estate for affordable sale and introduced, in June 2008, the Own Place initiative which offered affordable house and land packages to eligible home buyers. This had required the provisions of the Territory Planning scheme to be amended in August 2007 to allow for smaller and more affordable dwelling sites to be offered to the market. An illustration of Own Place development is provided in Figure 6 below.



Product diversity: the land rent scheme

build a house on the land, thereby reducing the deposit gap. Introduced on 1 July 2008, the scheme was the first of its kind in Australia. Participants paid either 4 per cent of the unimproved land value or, if they met the income test, the land rent was set at 2 per cent of the unimproved land value per annum (\$4,000 p.a. on an unimproved land value of \$200,000). The reduced charge was set at a level sufficient to recover the costs to the ACT Government of providing the land rent lot. Although the specific features of the scheme were novel in Australia, the strategy nonetheless shares some characteristics with a broader family of shared equity and shared ownership schemes in Australia and overseas that use innovative financing arrangements to improve access to forms of home ownership. In October 2013, the scheme was changed to only include participants who could meet the income test that made them eligible for the discount 2 percent rate.

Boosting community housing supply

The main community housing initiative in the scheme was the support of the largest CHP in the ACT, Community Housing Canberra (now known as CHC). The Action Plan provided support to CHC by:

- injecting \$3 million worth of capital
- transferring the title of 132 public housing properties
- providing a \$50 million revolving finance facility to enable 1,000 new affordable dwellings within 10 years; the funds were lent at the 90-day bank bill swap rate
- providing guaranteed access to suitable land through a memorandum of understanding with the LDA.

The ACT Government saw CHC as an opportunity to create additional affordable housing stock without significant additional costs to government. It was able to manage these risks by the government appointment of the Chair and the Deputy Chair of the Board and one other Board member. Its provision of cheap government financing to the CHC was unique in Australia and was one of the key reasons that CHC could produce so much affordable housing stock without significant direct capital contributions from government.

4.2.2 Organisation capabilities

The organisational capacity that enabled the delivery of the 2007 AHAP involved the cooperation of a number of different government department and agencies listed in Table 11 below.

Table 11: The role of the key departments/agencies in the AHAP

Department/Agency	Role
Chief Minister's Department	Coordination, reporting etc.
The Treasury	Program design, ACT revenue (land rent scheme), revolving loan fund for CHC, modifying first home owner grants, etc.
Land Development Agency (LDA)	Land release, land rent scheme and land for CHC
ACT Planning and Land Authority (ACTPLA)	Amending the Territory Plan to enable the small lot subdivisions, advising the LDA on land supply targets
ACT Housing	Transfer of public housing title to CHC, various public housing reforms

Source: Authors.

One of the ACT's organisational advantages in developing an affordable housing strategy came from the government's relatively small size. This meant that each Minister had to carry multiple portfolios, consequently reducing the potential for conflict between Ministers. For example, the Chief Minister was also the Treasurer and the Minister for Business and Economic Development. It should also be noted that neither the planning agency nor the LDA were government departments.

A further factor that facilitated the adoption of the AHAP was that the key driver of the plan was the Chief Minister. He was able to adopt a coordinating role, reducing the potential for obstruction as a result of the tendency for programs to be siloed. His position as the leader of government was also critical because it meant that he could also establish agency buy-in for the scheme.

'... I sent the signal that I wanted to do things—I wanted policy that would impact on affordability—hold it stable. We needed some other strategies that would help people. I wanted a comprehensive plan that at every level had an intervention that would help somebody—home ownership, private rental, affordable housing and public housing. (ACT interviewee 1)

He reflected that he came to this position partly as a result of his background:

'I wasn't a career politician. I came to politics late... I was 50 when I became Chief Minister with a very different life experience... I had a good understanding of the community. My personal philosophy was I'm here. We have won government. We should do something—why bother otherwise? I adopted a genuinely progressive agenda.'

'ACT always came out as the most affordable state in Australia. But it's a trick—that's fine for high income households, but there is a whole cohort of people living in this prosperous city for which housing is a real battle ... We were leaving a large number of people behind—and that's our constituency.'

When he established the Steering Group he gave it firm instructions:

'I asked for submissions—I wanted it [the steering group] to give me a policy that would make a difference. I wanted to know what levers we had available.'

The role of the Treasury was also central. They had been undertaking a range of research projects on housing for a number of years before the Steering Group was formed (back to 2003). Their analyses had shown that as housing prices were increasing to levels that excluded substantial parts of the population, it was likely to limit the level of economic activity within the ACT. From this perspective, the development of an affordable housing strategy was as much an economic issue as it was a social one. This meant that they understood the issues and had the evidence to allow the quick adoption of recommendations by the steering group.

Central agencies like Treasury have sometimes been less enthusiastic about affordable housing strategies developed by human service agencies, particularly when they include title transfer and access to public finance. The fact that Treasury was helping to drive the process, and that it was also being led by the Chief Minister, was a key ingredient in the strategy's success.

The chief of policy at the Treasury put it this way:

'The value system of your Minister is very important when you are a bureaucrat. We did some work on a Land Rent scheme in 2003. We took that to the Treasurer. They took the view that the market is doing what the market is doing ... that is based on a particular value system.'

'With the AHAP, the value system is different—housing is a basic right. This value system comes from the Chief Minister.' (ACT interviewee 2)

Another important element of the plan in terms of human resources was that some of the staff engaged in the Chief Minister's Department had considerable cross-agency experience. These networks into other agencies helped monitor the progress of the plan and to help resolve some issues as they arose.

The former head of Treasury also commented on the staffing issue:

'One of the reasons the strategy was successful was that two very good bureaucrats who really understood the issue in Treasury and the Chief Minister's Department were helping to drive the strategy.' (ACT interviewee 3)

4.3 Mechanisms

4.3.1 Modest resource commitment

The direct financial investment in the scheme was reasonably modest. The largest budget allocation was in the first year of the plan when \$9.25 million was allocated in the budget. There were a variety of other costs including:

- the revenue foregone because of discounts on lease fees from the land rent scheme
- transferring \$40 million worth of public housing stock to CHC
- discounts on stamp duties
- the considerable staff resources required for policy development and implementation.

While there was some capital injections in later years to provide some infrastructure funding to expedite an accelerated land release program, there was no deep, ongoing subsidies in the programs.

4.3.2 The critical role of strong, strategically-located leadership

One of the main mechanisms generating the positive outcomes from the AHAP was leadership. The AHAP was led from the top as a key goal of the Chief Minister and the government. At an assembly of all his department and agency heads, the Chief Minister declared it the number one task for his Government:

'I gave the firmest instructions to every head of every department that this report was the number one priority of government. It surpasses every priority we have this report is to be implemented.' (ACT interviewee 1)

When some departmental/agency heads were perceived to be showing a 'lack of enthusiasm' for the plan, the Chief Minister contacted them personally and pointed out the direct connection between their ongoing employment and the successful implementation of their plan:

'I would be asking them to show cause if for any reason they did not use their good offices to implement this report ... I essentially told them they should think about their future.' (ACT interviewee 1)

Two agencies, in particular, were slow to engage with the plan because they saw it coming from the central agencies as 'disruptive' to their current strategy. They tried to persuade both the Chief Minister and the staff in his department that an alternative approach was required. In the interviews, the Chief Minister explained that he made it very clear that any alternative plans to those proposed under the AHAP would not be acceptable.

More generally, having the right people in the right places played an important role in the policy's success. The government wanted housing outcomes and it was important that people with appropriate industry experience were located in key positions. This was particularly important for the CHP where it was vital that the right Board and CEO were in place so an ambitious new dwelling target could be met. It was also important that there was a strong trust relationship between Treasury and the CHC. One of the reasons for this was because some of the terms of the loan agreement needed to be renegotiated as market conditions changed (e.g. the GFC).

4.3.3 Engagement with CHC and the private sector

The ACT government's engagement with CHC was reasonably straightforward since the AHAP provided it with considerable resources, but when it came to private sector partners the relationship was more problematic. Just after the AHAP was introduced, the GFC took place, creating significant barriers in accessing investors. While large banks were a possible source of capital, the small scale of the land rent scheme made it difficult to attract them. Eventually two second tier banks provided mortgages to land rent customers for the engagement of builders, but the delay slowed the adoption of the scheme. Another reason for the slow take-up of the land rent scheme was some media antagonism. The local newspaper, *The Canberra Times*, published a number of critical articles which probably inhibited its early take-up.

The land rent scheme also came under some criticism from the property sector, particularly the ACT Property Council, who thought the product might be taking business from them. However, the Master Builders were more positive because they saw the LRS as a potential source of increased activity for their members.

4.4 Outcomes

In terms of successful implementation of the AHAP, the ACT Government's Progress Report (ACT Government 2012), shows that there was almost complete adoption of each of the AHAC's 63 strategies. A total of only three of the strategies were withdrawn because of the following circumstances:

- It was not possible to *defer land payments on affordable land and housing packages* because of the problems this posed for financial institutions when they were providing construction finance.
- There was no suitable applications from the *private sector to provide private rental housing* possibly because of the GFC.
- Following an independent review of CHC, it was decided not to pursue a *shared equity scheme*. This requirement was originally part of the loan agreement with CHC.

The conditions that resulted in the withdrawal of these three components of the AHAP were the result of market conditions operating at the time, and it would have been very difficult for the ACT Government to address them. Overall, the fact that almost all of the AHAP's strategies were successfully introduced is in itself an unusually positive outcome.

It is difficult to assess the extent to which the AHAP achieved its goals because of the limited evidence base and the number of intervening factors influencing and shaping the housing market. However, the following section explores the outcomes for three main housing products in some detail.

4.4.1 Land supply

A key document which examines the performance of the AHAP was an audit of ACT Land Supply and Development by the ACT Auditor-General which was released in 2011 (ACT Auditor General 2011).

While it describes the achievement of the LDA in generating additional land supply since the AHAP (see Figure 7 below), it was concerned by the delay between the exchange of the contract and the settlement of lots, as well as the poor quality of the land lot data provided by the LDA (ACT Auditor General 2011:5).

Inter-agency coordination has improved in recent years. There have been increased efforts and commitment by all agencies to accelerate the land release program to respond to unmet demand from past land release processes and on-going strong demand for residential dwelling sites. Notwithstanding recent improvements, the land supply and release process and programs to date have not been effective in achieving the government's stated objectives, which include meeting demand, providing affordable land and housing, and establishing an inventory of serviced land. There was scope for improvement in strategic management, monitoring of industry activity and adopting a robust approach to identifying and responding to residential land demand. There is also a need for clear reporting on the supply of 'shovel-ready' land to the market, to provide more certainty to stakeholders in the industry and to the ACT community.

One of the strategies identified in the AHAP was to increase the number of over-the-counter sales (Strategy 3 and 4). However, the Auditor-General reported:

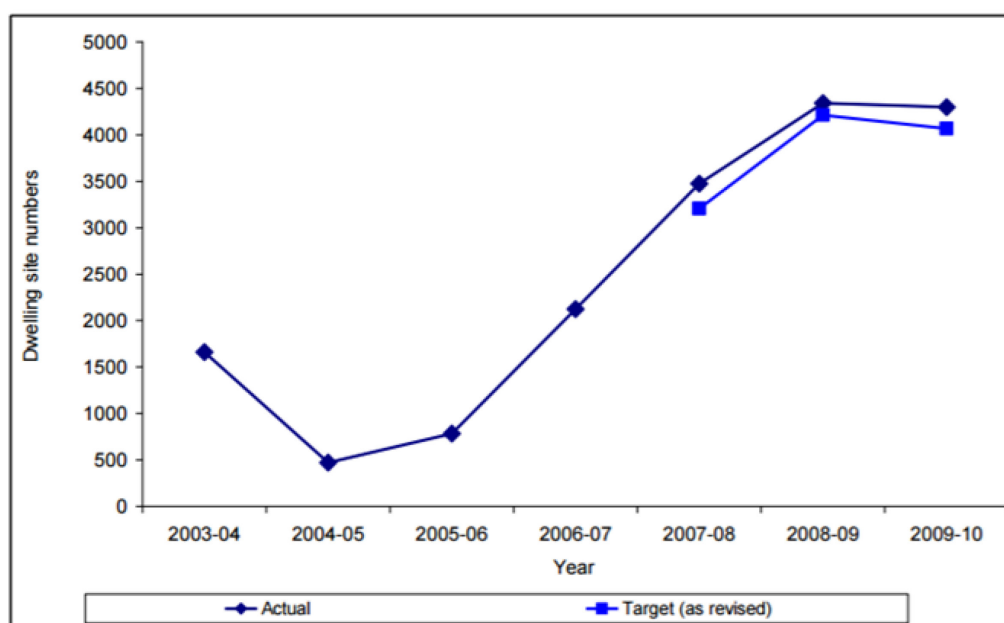
The LDA has not established quarterly targets for over-the-counter sales, and over-the-counter sales do not occur on a regular and ongoing basis. Although there have been some over-the-counter sales, these have primarily occurred for land that had previously been sold by the LDA under alternative methods (e.g. auction or ballot) and returned to the LDA because the original purchaser did not wish to proceed (ACT Auditor General 2011:47).

Strategy 7 of the AHAP recommended that land development costs at the LDA should be benchmarked every two years to assist the LDA to maintain their efficiency. While this occurred once in May 2007, the Auditor-General reported that this process had not been repeated.

The Auditor-General was much more positive about the supply of affordable blocks. The LDA had exceeded the target of affordable blocks in their own estates, and affordable housing targets were implemented in englobo¹⁴ sales through the ACT Planning and Land Authority. However, the construction of OwnPlace dwellings has been restricted by the slow completion of blocks hindered by the long lead time for engineering works. In the two years between the introduction of the OwnPlace program and June 2010, 247 OwnPlace blocks were sold to builders, but only 112 of the blocks had been released to eligible purchasers.

¹⁴ Englobo land sales are the sale of undeveloped parcels of land to a land developer. This contrasts with the more common LDA strategy of developing the lots themselves and then selling them to the end user.

Figure 7: Land supply outcomes



Source: ACT Auditor-General 2011, Figure 3.1

The Land Rent Scheme

The Land Rent Scheme (LRS) took some time to gain momentum. There were some early difficulties negotiating with financial institutions concerning the provision of mortgages for land rent properties. But once these barriers were overcome, the scheme did prove of interest to the public. A 2012 review of the scheme made the following observation:

The LRS has been in operation since July 2008. From commencement until November 2011, 316 land rent contracts have been settled with a Crown Lease registered; and 727 land rent contracts have been exchanged. Over 2,500 people have undertaken training which is a requirement to participate in the scheme (on the first occasion). The scheme had a slow start up in the context of the global economic downturn, and a lack of familiarity with the product among both buyers and lenders. However, it is now well-established and experiencing growing demand (EPIC 2012:4).

The Auditor-General's report in 2011 raised some concerns about the scheme including some people accessing multiple lots and the delay in settling on LRS lots (ACT Auditor General 2011:70–74). As a result of both these reviews, some administrative changes were made to the scheme and later the scheme was changed to restrict eligibility to those who qualified for the subsidised element of the scheme (the 2% land rental payments).

The scheme was also subsequently used to support supply to the community housing sector. Following a review of CHC in 2010, it was decided that they should also be given access to the LRS at the discounted rate (previously they were required to pay 4% land rent). They are now the only builders/developers who are able to participate in the scheme. They have now expanded their product range by offering LRS lots to eligible households, paying the land rent fees until construction has been completed, and assisting households with engaging builders (Reinfrank 2017). This is an example of the development of a hybrid product using the basic elements of the AHAP as the building block.

Over the last four years, the LRS has generated about 430 households per annum participating in the scheme.

4.4.2 Community housing

The AHAP provided CHP with a number of clearly-defined objectives in relation to the expansion of affordable housing supply in both home ownership and the rental market. The targets established by the ACT Government for CHC included:

- to increase the supply of affordable rental dwellings by 250 dwellings within 5 years (Feb 2013) and 500 dwellings within 10 years (February 2018)
- to increase the supply of affordable dwellings for sale by 470 dwellings within 5 years; and 1,000 dwellings within 10 years
- to renew 75 per cent of the assets transferred to CHC within five years, and 100 per cent of the assets within seven years.

Analysis of CHC annual reports as well as correspondence with the current CEO reveals that they have met their affordable housing targets and they are very close to their renewal targets, but have not met their affordable sales targets. Their affordable rental dwellings total was 336 in five years (June 30 2012) and at the end of the March quarter 2017 this number was 413 tenancies, so they are on track to meet their 2017 target.

The affordable sales have been more difficult. While CHC has made significant sales, their lack of cash funding (they were only provided with \$3 million of capital) meant that they have sold a significant proportion of their developed properties at full market price, in order to provide working funds to develop properties in their affordable rental portfolio. At the end of the March quarter 2017, they had 273 affordable sales. However, in recent years they have been passing LRS lots to eligible households which has resulted in an increase in their affordable sales outcomes.

CHC is now one of the most successful not-for-profit developers in Australia (Milligan, Gurrin et al. 2009). Its 2016 annual report reveals that it is holding over \$113 million in equity, has cash reserves of more than \$28 million, and has a net gearing ratio of 29.9 per cent. They have developed 859 properties since 2007–08 and have taken 515 to market. Their growth has been a direct outcome of the AHAP, and is an excellent case study of how a reasonably small public investment can provide an enduring stream of affordable housing supply. The ACT Government has supported their growth which has also been the result of some very effective development strategies led by the Board and the two most recent CEOs of the company. They are an enduring legacy of the AHAP.

4.5 Government partnerships and innovations

The AHAP relied on a number of partnerships. One of the main partnerships was with CHC Canberra. CHC was founded in 1998 as a company limited by guarantee under the *Corporations Act*. The ACT Government was and remains the foundation member of the company. Other 'ordinary' members of the company are individuals and legally-constituted organisations that have a direct interest in community and affordable housing and have experience in areas of expertise related to the business of CHC. The government does not control the company and cannot direct its business, but it has the right to appoint up to three directors (of seven), including the Chair and Deputy Chair of the Board.

The ability of the ACT Government to appoint people in senior governance roles is probably part of the reason the government had confidence in its ability to deliver on its ambitious community housing targets in its 2007 plan, and the confidence to enter into a 30 year loan agreement with CHC in the same year. The government used its powers to appoint a new chair and deputy chair in October 2007, perhaps in response to the challenges in the plan. The government also monitored the performance of its partner through regular quarterly reporting and less frequent

external reviews of the company performance. In addition, CHC accounts were audited by the ACT Auditor-General.

Other partnerships were initiated with financial institutions in order to enable mortgage finance for participants in the land rent scheme. This involved a lengthy negotiation with potential funders which was made more complicated by the GFC and its related pressure on the banking sector.

There were a number of product innovations in the AHAP that arose from internal product development, for example the land rent scheme. The development of these products involved a long gestation period and considerable product testing using a range of external stakeholders including independent analysis by housing experts. The key here was to allow enough time for an extensive development cycle and to also undertake evaluations of the products once they were in the field. There is nothing complex about this process, but it required good planning processes and a government prepared to modify product design in reaction to feedback from a range of stakeholders.

4.6 Lessons learnt and potential for replication

Some elements of the AHAP are not replicable outside the ACT because of the specific land tenure system that operates there. For example, the Land Rent Scheme would be impossible to duplicate outside of government-owned land. However, many other elements of the scheme would be clearly replicable. One of the most significant of these is the success of the partnership between the ACT Government and the CHC. A reasonably small degree of support provided the circumstance for a single CHP to add 500 affordable rental units within a ten-year period. The key ingredients that enabled this were ready access to cheap debt finance, and access to land. Unlike other large not-for-profit developers in Australia, like BHC in Queensland and City West Housing in Sydney, CHC had no access to significant grant funds—they re-invested capital from on-market sales to help fund developments.

However, the feature that would be most difficult to replicate is the role played by the political and bureaucratic leadership in championing the AHAP and in ensuring that all the relevant agencies within the ACT worked towards its success.

When it comes to the long-term sustainability of the AHAP there have been mixed results. Some of the products, such as the LRS and OwnPlace program, and the capacity building and rental stock within CHC, have been an enduring legacy of the program. But the benefits of an increased land supply strategy proved difficult to maintain after the AHAP's political champion retired from politics in 2011. For example, in 2013–14 only 3,299 dwelling lots were released, which is a significant reduction on previous years (see Figure 7 above). In the four-year targets for dwelling lots, the 2012–13 budget promised 19,500 new dwelling lots over four years. By 2014–15 this had been reduced to 13,500 over four years.

A key affordability strategy of AHAP—accelerated land release—has also been significantly diminished, something the former Chief Minister expressed disappointment with:

I assumed naively that the energy we had generated would be maintained. On something like this if it's not driven it stalls ... there has to be a champion at a political level¹⁵ (ACT interviewee 1).

There are a number of lessons that can be drawn for development of the AHAP:

¹⁵ Note that the Labor Party has retained office after Jon Stanhope retired in 2011.

- Agencies are difficult to control and to get them to sign up to a central strategy. It was very slow to get them on board with the AHAP, despite the strong leadership. In one case it really only occurred when there were key staff changes. Asking agencies to change their policy direction is difficult—they often have a lot of investment in the status quo and spend time defending it¹⁶. They are also concerned that the strategy is stepping on their 'turf' and that if the strategy suggests that their previous direction was wrong, they may be somewhat embarrassed.
- It is difficult to sustain affordable housing when the political champion withdraws. Given the rapid turnover of governments and politicians this will be an enduring problem for affordable housing strategies. Effective strategies might be ones that deliver actions that are difficult to 'unravel'.
- Land release is an important affordable housing strategy. Government involvement in that process is an important policy tool. Hence, states with effective government land developers may have an advantage when compiling their Affordable Housing Strategy. The ACT has been able to both increase supply and target the supply at a particular price point. Recent work (Ong, Dalton et al. 2017) has shown that while Australian housing supply has kept up with population growth over recent years, it has struggled to increase supply at the affordable end of the market. Being able to guarantee increased land supply (and not just planning approvals for land development) as well as the price points of that land is a very powerful tool for a government trying to generate affordable outcomes. While many governments have focused on increased supply as a means for increasing affordable housing outcomes, in most cases this is a blunt tool because the government cannot directly influence the amount of land or housing stock made available (that is a private sector decision) or the price that is released onto the market.
- Community housing can play a major role in an affordable housing strategy and they do not require ongoing subsidies.
- Any long-term affordable housing strategy needs to be reviewed during its implementation. These reviews play an important role in improving strategies particularly when external circumstances change.

¹⁶ In one case the head of an agency sent the Chief Minister an 8 page letter outlining why the AHAP was flawed. They received a very direct reply. In another case, the head of an agency led their staff on a walkout of a meeting where central agency staff were making a presentation on the AHAP, and what it would mean for their agency.

5 Case Study 3: Community housing asset vesting program (NSW)

- Introduced in 2009, the Asset Vesting Program was primarily a mechanism to increase the asset base of key community housing providers (CHPs) and to increase their capacity to contribute to affordable housing supply through future borrowings, developments and partnerships.
 - As of 2017, the program is expected to achieve its measurable aims: helping increase the number of social and affordable dwellings managed by CHPs from 13,000 to 30,000; and increasing the asset base of CHPs by around 7,800 dwellings, including around 1,300 dwellings realised through their own development program and borrowings.
 - Despite these outcomes, the program is not being replicated. Transferring ownership of public-owned social housing to CHPs is no longer a policy of the NSW Government. This undermines the potential for ongoing asset leveraging and the additional supply coming from these organisations.
 - The case demonstrates the challenges of implementing long-term policy. Turbulence at political and bureaucracy levels is a key threat to a program's success.
 - The case demonstrates the challenges of implementing programs in the absence of a clearly articulated and researched, strategy. The absence of detailed policy analysis has meant an inability to set expectations among stakeholders. This translated to political nervousness.
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5.1 Introduction

This chapter analyses the NSW Government's program of transferring social housing assets to community housing providers (CHPs). Known as the *Asset Vesting Program* (AVP), this came into being in 2009–10 largely as a result of Federal Government stimulus spending, under the Social Housing Initiative (SHI). The NSW Government used the funding to develop around 6,000 dwellings, which were to be transferred to CHPs upon completion. Competitive tenders for the dwellings among CHPs included commitments to leverage the value of the transferred dwellings to finance some 1,300 additional affordable housing dwellings. Asset vesting had been under consideration by Housing NSW for some time and, alongside the transfers of SHI-funded dwellings, a pilot program transferring 500 properties identified as development opportunities and directly allocated to CHPs, was also undertaken during this period.

While the program grew out a funding opportunity rather than a strategic policy, our research examines the program in the context of a longstanding commitment from Housing NSW to develop the CHP sector's capacity and size. In particular, reference is made to a 2007 strategy for the industry, *Planning for the Future* (NSW Department of Housing 2007). The chapter outlines the effectiveness of the mechanism itself as well as the interplay between the Australian and NSW Governments; different state government agencies; and CHPs, financiers and peak agencies. The chapter also examines the extent to which the program has informed

current directions in NSW Government affordable housing policy, particularly *the Future Directions for Social Housing in NSW* policy, introduced in 2016.

5.2 Context

In NSW, longstanding ambitions to achieve a contestable multi-provider system of social and affordable housing provision have been manifest in government commitments to growing autonomous community housing and Aboriginal housing provider sectors (Mant 1992) to operate alongside the ageing and underfunded public housing sector. While the roots of this overarching objective trace back many years (See Milligan, Martin et al. 2016), the asset vesting program is best positioned in the context of the 2007 strategy for the sector.

5.2.1 2007 CHP sector strategy

Planning for the Future was foreshadowed in a 2003 Legislative Council enquiry into community housing with a recommendation to develop a strategic policy framework to guide the future development of the community housing sector. This enquiry and subsequent policy followed sustained efforts by the sector itself to increase its professionalism and capacity (Milligan, Martin et al. 2016).

A number of objectives were articulated in the strategy for the CHP sector, as well as a series of policy directions to realise those objectives. The overarching aim of the strategy was to provide a framework through which the community housing sector could expand and build capacity. Most notably, it set a measurable target for 30,000 tenancies to be under the management of the sector by 2017. This was a significant increase on the 13,000 dwellings under management at the time of the policy launch (2007), both in absolute terms and in relation to the baseline (more than doubling).

These were the only quantifiable targets within the strategy (Audit Office of New South Wales, 2015). Strategy objectives included enhancements to:

- size of the sector, as articulated by the above target
- diversity in the sector, particularly the housing products offered and demographics of the tenants served
- integration of the sector, particularly between tenant services and broader community development services delivered
- capacity of the sector, particularly organisational and financial standards and reputation, and
- financial stability of the sector, particularly in light of anticipated operational revenues and costs.

The strategy did identify Housing NSW roles in realising these objectives, and shaped the future directions of social housing policy within Housing NSW. Core strategic components included the *Affordable Housing Innovations Fund*, to leverage private financing of affordable housing developments, competitive allocation to CHPs of \$70 million in capital grants, and establishment of the Registrar of Community housing, discussed below.

In light of this strategic direction, the AVP sat alongside various other Housing NSW actions to increase the capacity of the CHP sector to deliver new affordable housing. For example, NSW was at the time the leading adopter of social housing management transfers to the CHP sector:

While over 10,000 dwellings had been subject to such housing transfers by 2012, nationally, almost 80 per cent of these had occurred in a single jurisdiction—NSW. Most of the tenanted transfers involved the ‘management outsourcing’ of public

housing to CHPs, rather than asset transfers with tenants in situ (Pawson, Milligan et al. 2013:19).

NSW had transferred management of nearly 8,000 properties (and ownership of 400) to CHPs before the AVP. Most of the 400, however, were not longstanding public assets, but 'involved homes originally developed or purchased by the state government on behalf of CHPs and previously managed as community housing for specific groups (i.e. never occupied by public housing tenants)' (Pawson, Milligan et al. 2013:19)

Much like the AVP, earlier management transfer programs had the dual purposes of providing an enhanced revenue stream and increasing provider operational scales to underpin the long-term financial viability of community housing providers.

Rental revenue in the sector was maximised through two mechanisms:

- the entitlement of Centrelink-eligible community housing tenants to receive a CRA payment when their rent exceeded a designated amount (unlike for public housing tenants)
- reforms to rent setting that enabled CHPs to collect as additional rent the full value of CRA payments that were paid to their tenants without impacting on the net income (after rent) of those tenants.

In a review of the policy published in 2012, it was noted that:

The Community Housing Rent Policy, incorporating CRA maximisation, was implemented from July 2008. Financial modelling indicated that the increase in rental income to the sector would be \$18.2 million in 2008–09, and an estimated \$23 million when fully implemented. This amount is likely to have been considerably higher by the end of 2012–13, given the significant increase in the number of properties under management, alongside increases in rents and CRA entitlements (Family and Community Services 2013:27).

While it was not explicit in the strategy itself, the improved revenue objective was identified by most interview respondents as a central driver of Planning for the Future and later the AVP:

'Well one of your justifications for growing the sector and transferring stock is that they get CRA.' (NSW interviewee 2)

In effect, collecting CRA payments as additional rent was the only source of new revenue available to CHPs in respect of tenancies being transferred. The implications of this are discussed further in Section 5.4.

5.2.2 Registrar of Community Housing

One important aspect of Housing NSW's efforts to build the sector was the establishment of the Registrar of Community Housing through a 2007 amendment to the Housing Act (2001). Introduction of specialised regulation of the sector, through the Registrar, was in part driven by preceding complementary efforts of the sector to develop codes of practice and accreditation in order to promote the professionalisation of their own organisations.

'So, the Federation [NSW Federation of Housing Associations] established a code of practice ... Then subsequently accreditation came in ... [It] basically said 'the members we're interested in are the serious ones ... who will demonstrate that real emphasis on capacity building and transparency', and [it brought] a focus on being an industry body, not just an advocacy body ... So, you had the code, then you had accreditation, and then you had regulation.' (NSW interviewee 1)

As noted by this respondent and identified in previous research (Travers, Gilmour et al. 2011), the sector was trying to establish a level of trust and confidence in its capacity so that

governments and the private sector would be willing to invest. The consensus was that the Registrar was crucial for the sector in terms of accountability and to bring rigour to financial management and governance.

'There was a New South Wales regulatory system. (Ultimately, there was a national regulatory system to try and create a national market.) But all those things were ... actually quite fundamental to building confidence, I think, in this sector as one player in the affordable housing solution.' (NSW interviewee 2)

Importantly, it was also consistent with decade-old attempts to focus the resources supporting growth of the CHP sector into a smaller subset of 'growth providers' that could become better placed to deliver new supply, compared with the sector more broadly.

'Part of the Planning for the Future strategy was around the consolidation of the sector because there were so many small tiny providers ... but there are a number of things that happened in government that resulted in amalgamation of providers, namely the registration system and a few other things that had happened.' (NSW interviewee 3)

The NSW Registrar's functions were rolled into the national registration framework in 2014 (Milligan, Martin et al. 2016). Many interviewees noted that the national regulatory framework was largely based on the NSW predecessor, demonstrating NSW's lead in building a broad, robust and diverse CHP sector.

The importance of the Registrar became more apparent in the context of the AVP in which this oversight facilitated banking sector willingness to loan money for development projects to CHPs receiving the transferred assets. It transpired, however, that title per se was less of a concern to lenders than CHP cash flows being secure over the duration of the loan (See Rowley et al. 2014).

Regulation notwithstanding, lender concerns over the possibility of having to foreclose on occupied dwellings also emerged as a barrier to bank lending. This was addressed by a subsequent adjustment to the operation of the program.

'So, we put in a tripartite agreement which said government will be party to it with a CHP and a bank. We're not going to stand behind it as government. We're not going to say we'll step in, we'll buy it back ... But we'll collaborate and if something goes incredibly wrong, but by the way we don't think it will because we've got this regulatory thing and a step-in power of the registrar over here, and a series of checks and balances.' (NSW interviewee 2)

The tripartite agreement between the banks, governments and the CHPs was about giving confidence to the banks that they would not be placed in a position of evicting tenants with no other place to go.

5.3 Mechanisms

Despite the efforts of Housing NSW, at the time of development of *Planning for the Future* there was little consideration of affordable housing as a policy issue in other parts of the government, particularly in Treasury and Finance. As such, the approach to increasing affordable housing supply was constrained to what could be done within the host agency. There were, however, a number of subsequent events that facilitated the necessary political and bureaucratic support, as well as financial support, to implement the AVP and other parts of *Planning for the Future*. Federal Government initiatives, changes in governments and departmental structures and access to different funding pools all had significant implications for strategy development and implementation. Each factor is discussed below.

5.3.1 National stimulus package

Our research found that political leadership and, more importantly, potential funds from the Federal Government were crucial catalysts of greater support for affordable housing from the NSW Government. The first instance of this was the National Rental Affordability Scheme (2008), which required state government contributions alongside federal funding. The second Federal Government contribution came through the Nation Building Economic Stimulus Package, which provided a significant, though temporary, expenditure boost for social housing supply. The importance of this package was twofold. First, it brought much needed new financial capital to a social housing sector that had experienced long-term declining support, and second, it secured the political capital within the NSW Government that was needed to progress parts of the *Planning for the Future* agenda.

The stimulus package was announced in the context of deteriorating global economic conditions with a core aim of creating jobs. A key component, which was directed specifically at supporting jobs in the construction industry, was funding for the development of approximately 19,000 new social housing dwellings nationwide, known as the 'Social Housing Initiative' (SHI). This funding opportunity arose in the context of a Federal Government housing position that also sought to build the CHP sector (See Plibersek 2009; COAG 2009b), and a stated preference for new housing to be owned by the CHPs (Pawson, Milligan et al. 2013).

According to officials at the time, this led to an increase in activity by Housing NSW to obtain political and whole-of-government support for affordable housing expansion.

'So, [the stimulus funding] changed the course of ... cabinet negotiations, government negotiations ... it took [Housing] multiple cabinet meetings [and] largely got across the line, not because we had a growth strategy for the community housing sector, but because the Commonwealth was offering money semi-conditional on the fact that it went over there and preferably with title.' (NSW interviewee 2)

'I mean, while we were trying to get it through Cabinet, the Planning for the Future was a really helpful hook and in the end DPC and Treasury weren't helpful for us getting it through, it was the politicians and the politics of it at a kind of a COAG level and the Labor Party, like Kevin Rudd and Tanya Plibersek.' (NSW interviewee 3)

The injection of Federal Government funding tied to delivering outcomes in the CHP sector also helped overcome a longstanding reluctance of the NSW Government to hand over title of government housing assets to the CHP sector to enable it to build its development and financial borrowing capacity.

The opportunity to take advantage of federal funding and transfer title to CHPs reflected preceding work and advocacy by the CHP sector to build capacity and long-term continuity in policy direction, with corresponding policy support from within Housing NSW.

'... [the stimulus funding] created an opportunity to achieve the strategy that had already been put in place, and which built on a long process of a number of initiatives including state initiatives which made it realistic ...' (NSW interviewee 1)

Specifically, it enabled a breakthrough on asset ownership.

'... [Agreement to title transfer at scale had not been achieved] until stimulus came along and helpfully the then-minister, Tanya Plibersek, had said quite publicly that (a), they wanted most of that to go to the community housing sector, and (b), they had a strong preference for ownership in the sector ...' (NSW interviewee 2)

Thus, the availability of federal funding was enough to secure political buy-in and to convince other parts of government to pursue this agenda.

In NSW, sites developed under the stimulus package were overseen by Housing NSW, with management, and later ownership, transferred to CHPs upon completion (see Pawson, Milligan et al. 2013). So the transferred properties were unique in many respects. They were recently redeveloped sites, without established tenants, and without maintenance backlogs. As such, the transfer of these assets lacked many of the challenges and opportunities that any future potential asset vesting program would entail. This has limited the extent to which it has been able to inform subsequent directions in Housing NSW and its successor agency, Family and Community Services.

Alongside the vesting of dwellings funded through the stimulus package, there was a pre-existing pilot program to transfer title of previously identified development-ready sites to CHPs deemed to have capacity to undertake their development. These sites were directly allocated to CHPs judged capable, whereas the stimulus package-funded properties were transferred through competitive tender. A third avenue for title transfer arose out of the allocation of state government-owned sites for redevelopment through the application of NRAS incentives¹⁷. The outcomes of these different sources of asset vesting are reported in Section 5.4.

5.3.2 Political and bureaucratic volatility

In our research, one of the most commonly discussed aspects of the AVP was the impact of the 2011 change in the NSW Government, which led to a restructure of the housing portfolio and consequential changes to how the program was rolled-out. A number of asset transfers were delayed, vesting contracts were re-negotiated, and a higher level of scrutiny was placed on the CHPs involved. These changes derived from both bureaucratic and political influence.

In common with many other Australian jurisdictions, responsibilities for social housing in NSW have been subsumed into a broader welfare/social service agency since 2008 (Pawson, Milligan et al. 2013). This trend arguably parallels periods of diminished housing capacity within government (Milligan, Pawson et al. 2017). The period immediately following the AVP saw a further significant shift in how government housing was administered, with the assets transferred to a finance agency and tenancy management retained by the welfare agency.

This move was part of a broader shift in how the NSW Government managed its land assets, viewing them as significant sources of financial leverage and revenue streams, and having potential to support a wider urban development agenda.

‘ ... [There was an emphasis on] how much the assets were worth and how much more they could be sweated and therefore they took them ... out of a social housing agency and put them in a finance agency ... ’ (NSW interviewee 3)

In the view of many of our respondents, it was this split in responsibilities that undermined much of the continuity that had made Housing NSW’s strategy for developing the CHP sector successful. The situation that the asset vesting was not articulated in a whole-government strategy led to questions about the authority of existing government commitments along with the assertion of a preference to retain the assets, in line with the shift in attitude towards government land assets:

‘ ... It didn’t matter where [asset management] was ... there was a new boss in town and that new boss didn’t believe in vesting. So the challenge was that the work had to be done by the bureaucracy to convince them that the commitment was already there ... ’ (NSW interviewee 4)

¹⁷ Note that state governments themselves were not eligible for the allocation of NRAS incentives.

In other words, the absence of a strategy made the direction in CHP capacity-building and growth in the affordable housing space susceptible to whims of changing agency structures and agendas.

Ultimately, the bifurcation of the housing portfolio was reversed, and initial commitments under the AVP were followed through. However, there were ongoing implications of this turbulence. First, it delayed the transfer of title, adversely affecting some CHPs' development plans. Second, and potentially more beneficially, it led to a number of changes to the contractual arrangements for title transfer, increasing the accountability of the CHPs and overcoming some longstanding reservations within government about handing over assets. Third, and perhaps most problematically, the process undermined some of the trust between government, CHPs and indeed the private sector players that were lending to and developing alongside them. Interview respondents saw this as one of the biggest setbacks for the program.

As noted above, the presence of an overarching CHP sector strategy, even in the absence of detailed objectives and government-wide buy-in, contributed to a high degree of preparedness to respond to stimulus funding opportunities. This responsiveness also depended on support at a political level to overcome bureaucratic inertia. Political champions were identified as one of the main reasons CHP sector growth was taken up in portfolios other than Housing NSW, such as Planning and Finance.

'So, that was actually quite powerful having that target. Because that strategy references, as I said, the growth and title, we then started working on a transfer program, and that's when one of the ministers went, oh, I'm happy to have another go at title for you.' (NSW interviewee 2)

At the national level, there was sufficient political support to direct social housing spending in the stimulus towards the CHP sector, a funding opportunity that the NSW Government was keen to utilise.

Following elections at both national and state levels (in 2010 and 2011 respectively) those political champions were lost. Drivers of changing political dispositions included new governments seeking to change their predecessor's policy direction, internal differences among incoming ministers, and a policy shift in how government housing assets were treated.

In this context, it is hard to conclude that a well-articulated strategic document with wide buy-in across government agencies would have been able to circumvent the political forces that challenged the AVP. Indeed, some interviewees suggested a strategy would have been just as readily thrown out or ignored.

While the incoming governments have each gradually evolved their own approach to supporting the CHP sector, their approaches remain only loosely articulated as a broad objective within the context of plans to increase affordable housing supply (federal) and reduce direct government service provision (state).

5.4 Outcomes

The direct outcomes of asset vesting concern dwellings delivered (or expected to be delivered) and changes in sector capacity, especially the enhanced operational capacity of recipient organisations and their ability to act as housing developers financing their own projects.

5.4.1 Contributing to management targets for CHPs

The 2007 '13,000 to 30,000' objective of increasing the number of social housing dwellings managed by CHPs was achieved earlier than planned.

The overall size of the portfolio, when crisis and transitional housing is included, was 27,450 at 30 June 2013, or around 18 per cent of all social housing in NSW. Within six years of the commencement of the strategy, the growth in property numbers was just 2,550 short of the full 10 year target due for delivery in 2016–17. (NSW Department of Housing 2007:5; Family and Community Services 2013).

This result can be attributed to the AVP. As the 2013 program review went on to note, the 6,020 properties vested through the AVP represented, at that point in time, around half of that growth, and largely made the target achievable. Subsequently, the leveraging of those assets, discussed below, contributed around half of the then-outstanding 2,550 dwellings. In total, data provided by Housing NSW for this research states that 6,276 CHP-owned properties resulted from asset vesting:

- 5,520 from the SHI
- 500 under the pilot Asset Ownership Program
- 256 under the NRAS redevelopments.

In total, 17 CHPs were vested properties, spread across 28 Sydney metropolitan council areas and 39 regional council areas, including all other major population centres.

The significance of the AVP brings into question whether the *Planning for the Future 2007* target could have been achieved without the subsequent increase in national investment in social and affordable housing.

5.4.2 Delivering new affordable housing

Data provided by Housing NSW for this research forecast that the leveraging commitments, a contractual requirement of the asset transfers, are expected to deliver an additional 1,310 properties within 10 years, up from a contractual commitment of 1,295. The exact numbers that will be delivered are not certain, both because some are yet to be delivered (and of those to be delivered beyond the 2016–17 financial year, around 39 per cent have not been identified by the responsible CHP), and because some CHP developments included a component of dwellings funded through other programs.

While the overall program target for leveraging has consistently remained around 20 per cent of the transferred properties, Housing NSW note that several factors affect the potential for this to be realised. Mediating factors include the number of properties transferred to each CHP; the CHP's existing size, financial situation and potential revenue streams; their growth strategy, and risk appetite; and the particular housing market in which the CHP operates. Reflecting these drivers, the per-provider contracted leveraging targets ranged from 10 per cent to 55 per cent of transferred properties.

Establishing firm leveraging targets presented a number of challenges. One of these arose from the delayed vesting of the assets, discussed above, as changing housing market conditions and development opportunities threatened the ability of CHPs to realise their targets.

The effect of these delays so far has been a commensurate delay in the delivery of the leveraged properties. Initial contracts anticipated 68 per cent would be completed by the end of the 2016–17 financial year. Current (2017) expectations are that 59 per cent will be completed by that time. At the time of writing, three CHPs had fulfilled their contractual obligations, but six CHPs were yet to identify where all their contractual commitments would be delivered. Housing NSW, however, acknowledged that some delays could be attributed to government delaying the transfer of title, not to the CHP's capacity to deliver their contractual targets.

As argued by Housing NSW, problems with timely achievement of leverage targets were also partly attributable to over-commitments made in tender bids, reflecting a naiveté in the sector of its own limitations in terms of financing, revenue streams, and development capacities.

'The sector had a tendency to substantially over-promise or substantially under-deliver on their timeframes. So we need to call it out to say ... that's a genuine problem in terms of policy, because then it oversets expectations for political decision-makers, and then when it doesn't get delivered against that timeframe then it's not seen to be a success.' (NSW interviewee 4)

However, optimism about the expected dividends of asset leveraging also existed beyond the CHP sector, as evidenced by the Minister for Housing of the time:

Based on independent analysis and subject to market conditions, community housing providers could borrow up to 50 per cent of the market value of each property (Borger 2009).

One respondent also noted that the parallel vesting of some 500 existing Housing NSW properties as development sites was considered an easier process to assess leveraging potential because they were a known quantity, but also not competitively tendered:

'... a lot of the work in terms of what the uplift potential for those land parcels were known to [Housing NSW]. So it was easier to set those targets in terms of what kind of uplift that could happen on those lots, and then ..., through the vesting, what we can expect the CHPs to deliver.' (NSW interviewee 6)

Despite these implementation challenges, Housing NSW expects the delivery of the target additional dwellings over the ten years from AVP operational commencement to be achieved.

5.4.3 Increasing the asset base in the CHP sector

Another objective of the AVP was to increase the number of properties owned by the CHP sector and hence to grow their balance sheets and financial capacity. The role of title in ensuring access to finance was an oft-repeated belief at the time. In hindsight, it appears to be more complicated. Certainly, it transpired that having title as security for a loan was not sufficient. Initially the reputational risk of lenders, in terms of tenancies being disrupted by loan foreclosures was deemed too high.

'We've been involved with three programs now where we've had the banks involved for providing finance. They are very, very sensitive to reputational risk.' (NSW interviewee 5)

This led to the NSW Government undertaking, through the tripartite agreement (see above), to rehouse tenants in dwellings that were subject to a prospective foreclosure by the lender.

Whether title was necessary for loan security was also contested. As has also been noted in previous research (Rowley et al., 2014), the critical factor for bank lending decisions is adequacy and certainty of rental income revenue streams.

'The title is pretty useless without cash flow. The ... properties that we will develop under the vested leveraging program can only be paid for with cash flow. That comes from effectively [all the] properties that we have on our books, each of which is contributing to our surplus.' (NSW interviewee 5)

Having title to properties did mean, however, that revenue streams were more predictable over the long term compared to the situation of other CHP-managed properties over which providers held only three-year rolling leases.

At the time of the AVP, lack of knowledge in the lending sector of the CHP sector, on the one hand, and increasing professionalisation of CHPs on the other, were also important factors in financing negotiations. The asset vesting program served as a catalyst in this regard.

'You need this balance of the security of income and you also need this knowledge in the market of the financial institutions to become comfortable with what a Community Housing Provider is. ... they're a bit nervous when they hear about this Community Housing Provider. It sounds like we're something that operates out of a corner shop. Now we're bigger than that.' (NSW interviewee 5)

Title (or asset control) is, however, seen as pertinent in other ways. First, through adding to balance sheet value, it contributes to the strength and solidity of a CHP business. Second, it overcomes counterparty risk that arises when CHPs only manage but do not own their portfolio—because in that case it is the responsibility of the property owner (usually the NSW Land and Housing Corporation (LAHC)) to make development and strategic asset management decisions, following their own policies (and priorities). This curtails the capacity of CHPs to initiate redevelopment and affects their ability to make decisions about the best use of resources for asset management purposes. It may also stifle innovation.

'One of the frustrations that I came across in my dealings with CHPs, whereby they were saying that 'despite the fact that we're managing the property and tenancy, we don't have any capacity to be able to renew small-scale things when we see a clear need to do them'. That means that they will have to refer that to the land owner to do anything with it and they wouldn't have the freedom to do or plan their stock under their management ... ' (NSW interviewee 6)

Overall, the AVP is likely to achieve its 20 per cent additional housing supply target and it has helped achieve the objective of greater CHP autonomy and capacity to initiate new developments, along with valuable learnings for both government and the sector. One of these lessons was that the rationale for title transfer as a sufficient means to secure private finance was somewhat misplaced.

Reflecting a change of government policy, there are no current programs in NSW to further vest title of government housing assets in CHPs. However, a large social housing management transfer program based on long-term (20 year) leasing is currently (2017) being tendered¹⁸. This is intended to further boost the revenue and operational scale of successful CHPs. Under that program, however, using some of the revenue streams generated to support additional housing supply has been disallowed. The redevelopment of LAHC sites continues to be led by either the government itself or the private sector.

5.4.4 Improving CHP development and organisational capacities

Beyond growth in dwellings, the AVP sought to increase capacity in the community housing sector more broadly. Other AHURI research reviews this capacity in detail (Milligan et al. 2016; Milligan et al. 2017), but it was noted in this research that the AVP was considered crucial in providing the impetus for participating CHPs to step up a level in terms of scale and business diversification.

Initially Housing NSW took the view that, in order to respond within the limited SHI timeframes, it would (through the LAHC) undertake its own redevelopments with the stimulus funding. Other jurisdictions, notably Victoria and Queensland, which were also subject to the same time constraints, were able to devolve a greater amount of development activity to their local CHPs,

¹⁸ See <https://www.facs.nsw.gov.au/reforms/social-housing/management-transfer-program>.

helping build the desired capacity (KPMG 2012). Interviewees therefore noted a lost opportunity to help CHPs build capacity in these processes in NSW.

Nevertheless, over the longer term, the program has contributed to enhanced capacity among participating NSW CHPs in the development space. This can be attributed to both the contractual requirement to develop additional properties and the boost to revenue that enabled recipient organisations to recruit specialists and engage strategically with consultants and partners.

'We've been spending the last five years building the capacity of the development team and our financing kind of team.' (NSW interviewee 3)

'We're hoping to ... bring our numbers to a sort of critical mass where it's financially viable to do so [employ specialists]. However, the growth has enabled [the organisation] to bring on more and more high-level people.' (NSW interviewee 5)

While there was some suggestion that the CHP sector was likely to build these capacities anyway, the general consensus among interviewees was that without these funding opportunities, and indeed contractual requirements, the CHPs would not have been able to build up the workforce and development and financial sector connections as quickly.

'We [the CHP Sector] weren't already there. We did scenario planning with high growth paths for the sector, and that was all lovely, but it was ... dependant on government decisions to put the kind of resources in that the stimulus [did] ...' (NSW interviewee 1)

'One of the drivers for better performance in the last three years is that [Housing NSW] said ... 'in all our new tenders that are going out we're saying that a lot of your past performance on targets will be affecting your evaluation.' So that has really pushed [CHPs] to perform.' (NSW interviewee 6)

The capacity-building that resulted from the unprecedented scale of transfers under the stimulus-funded AVP was also argued to have laid the foundation for more recent NSW Government commitments to large-scale public housing management transfers, involving some 18,000 additional dwellings¹⁹. Factors in this regard included the demonstration of CHP capacity in delivering the AVP and the advent of larger, better resourced and more skilled organisations.

Nonetheless, the sector remains quite heterogeneous, with only some CHPs benefiting from growth. Data provided by Family and Community Services show just three CHPs each received over 1,000 AVP dwellings, which was more than double any other recipient and represented half the total number of properties transferred. Most interviewees who discussed this were comfortable with the sector's diversity, with some suggestion that organisational mergers might produce more large-scale CHPs with the capacity of the current top tier growth providers.

'So we might end up ... with a few very large providers, and a few that operate across geographies, and then some very localised providers ... [that] want to grow in that community only. ... I think having that diversity is really fabulous because those providers can focus on the links with the wider service systems. ... I can give you examples of providers who are really heavily involved in the homelessness space within the same geography. Whereas others are more expansionist ... and they're going to development.' (NSW interviewee 6)

¹⁹ <http://www.housingpathways.nsw.gov.au/management-transfer-program>.

More generally, however, as evidenced in the recently concluded investigation into the capacity of Australia's affordable housing industry (Milligan, Pawson et al. 2017), without predictable and steady growth opportunities, relevant capacities can quickly become underutilised or be lost.

5.5 Government partnerships and innovations

The main partnership in this case is one between government and the CHP sector. The fact that the NSW Government had the confidence to transfer assets to the CHP sector was the culmination of a long development process where there had been clear leadership from the government over a number of years about the desired direction of the sector, accompanied by a significant level of capacity-building by both partners, some scaling up of the sector and the introduction of a regulatory system. All these steps helped the government of the time have the confidence to initiate the transfer of assets to the sector.

Introduction of a specialist system of regulation was a particularly important step by ensuring there would be ongoing accountability for the performance of CHPs.

So, while the transfer of stock from the SHI was triggered by a particular set of circumstances, the partnership that enabled the transfer had evolved over a twenty-year prior period.

5.6 Lessons learnt and potential for replication

The success of the AVP was contested among our research participants. Unambiguously, it was considered a vital catalyst in the development of the size, diversity and professional capacities of participating CHPs. As a mechanism for increasing the supply of affordable housing, however, opinions differed. On one hand, despite some delays caused by a change of government, the program is expected to meet its target of leveraging of transferred government assets to deliver around 1,300 additional dwellings (when all sources of vested assets are considered). On the other hand, an increasing expectation within government to maximise the value of its land assets, and how that translates to growth in affordable housing supply, has led to a view that the CHP sector may not be best positioned to act as developers in the renewal of government assets. The validity of this view is a matter for future determination.

More broadly, the case demonstrates the need for rigour and transparency during policy development as drivers of a successful program. Those attributes establish clear expectations among diverse stakeholders and help address implementation risks. In NSW, there was evidence of deficiency in this regard. The role of title—that is, ownership—transfer is an example. The 2007 CHP growth strategy did not anticipate the scale of asset transfers that ultimately came about as a result of Federal Government funding and policy direction, and so well-founded and clearly articulated expectations about what asset vesting could deliver were not put in place.

In the context of the incremental growth that the 2007 strategy anticipated, the transfer of title was justified as part of building the sector's independence and providing opportunities to build its housing development capacity. By the time asset vesting was underway, transfer of title had to be justified in much more concrete—and contractually obligated—terms of numbers of additional housing. However, there was insufficient evidence and analysis to inform these expectations. So the fallout has been the above-noted mixed perceptions about the success of the program. Early expectations were high, and reality has not been able to match this. One result has been some political reluctance to continue the approach, whatever its merits.

The case also demonstrates the role of political leadership and organisational continuity in the success of a program. Early on, there was strong evidence that the continuity of expertise within Housing NSW was useful to garner support across other government agencies when an

external funding opportunity arose, even though a well-articulated policy was lacking. There was also strong evidence of the positive role of political support at both levels of government. Thus, Federal Government support for a policy direction and substantial accompanying funds flowed through to a politically-aligned state government. State-level political support in turn was also able to counter some central agency bureaucratic resistance.

However, reliance on political champions also proved a challenge for long-term strategic directions. Changes in government direction, and actual changes of government at the federal and state levels, led to significant delays and changes to the program that threatened its successful implementation. The whims of politicians are inevitable, as are potential policy stumbles as a result. But the case study demonstrated that the absence of both a clearly articulated policy and across-agency commitment to it increased the risk of political change resulting in a change in policy direction. Clearly articulated policy intent would make such shifts in emphasis more evident, and precipitate the need for them to be debated and addressed. The shift away from 'CHP as developer' has not been an articulated policy change in NSW, making adjustment difficult for both lenders and CHPs. The CHP sector in particular invested heavily in increasing their development capacity which may become underutilised given the pivot in government policy.

6 Policy development options

This report explored a range of government-led innovations in affordable housing delivery, concentrating on four specific strategies/programs in order to identify key lessons that can be applied by any level of government seeking to develop an affordable housing strategy/program. This final chapter brings together these lessons highlighting the key ingredients of an innovative strategy.

6.1 Government affordable housing delivery

The four case studies reveal some strong messages for government about the key ingredients for an effective housing strategy. This section will begin by examining key elements of the strategies/programs evaluated, drawing out lessons that can be learnt from the various successes and failures of each.

Table 12 below highlights the range of affordable housing programs across states showing the considerable variations. The key features and outcomes of each of the case studies are summarised in this table and are organised with respect to the context-mechanism-outcome framework. It is clear from the table that the two strategies delivered outcomes across the housing continuum while the two programs, understandably, had a narrower focus. An advantage of a strategy is that it can bring together a number of complementary programs that provide opportunities to transition across the continuum. It can deliver a clear vision of what the state is trying to achieve. A program will struggle to gain traction if implemented in isolation.

In order to compare outcomes across the two strategies it is worth describing the relative sizes of the ACT and WA housing markets. Annual dwelling completions over the period 2007 to 2016 are running at about 24,000 dwellings per annum in WA versus 3,700 in the ACT (ABS. 2017) (i.e. the WA market is about 6.5 times the size of the ACT). Public housing dwelling stock in the ACT in 2016 was about 10,800 dwellings compared to 33,400 in WA (Commission 2016) (WA is about three times larger than the ACT). Using these comparisons, the ACT strategy would appear to have made more of a difference in the affordable land supply and cheap home package markets but less impact on its stock of social housing. This reflects the advantage of the ACT in being able to directly control the land supply lever, but also the fact that the ACT strategy did not include the increase in social housing stemming from the Nation Building Initiative. While the WA Government has used its land effectively to deliver some affordable housing outcomes, by controlling supply and price the ACT Government has much greater scope to influence delivery. However, while the relative scale of the delivery in ACT is impressive, the AHAP failed to have the sort of impact on organisational culture achieved in WA.

Table 12: Key mechanisms and outcomes—government-led innovations in affordable housing delivery

Context	Key mechanisms	Outcomes
WA—state level <i>Affordable Housing Strategy</i>	Variety of programs/initiatives and funding arrangements under the <i>Affordable Housing Strategy</i>	<ul style="list-style-type: none"> • housing products delivered across the continuum of housing needs • 14,500 Keystart home loans (including shared ownership) • joint ventures to deliver land (13,000 lots with 77% below median price. Not all yet delivered) • partnerships with private sector to deliver 'entry level' affordable homes (2,000) • social housing including national partnership agreements and transitional housing (5,000) • partnerships across government and industry (938 units with a proportion market dwellings)
East Kimberley Transitional Housing Program	Funding secured from Federal Government to deliver 40 dwellings. Partnership with WA Housing Authority.	<ul style="list-style-type: none"> • 40 transitional dwellings of a variety of sizes • at least one person in every household engaged in employment/training • school attendance rate 93 per cent • three home loans approved • two households moved into home ownership
ACT Action Plan	Variety of programs/initiatives and funding arrangements under the <i>ACT Action Plan</i>	<ul style="list-style-type: none"> • 59 of 63 Action Plan initiatives implemented • increased rate of land release: Dwelling lots released increased by more than 100 per cent from pre-plan numbers to 4,339 lots in 2008–09 • implementation of a subsidised home ownership product—land rent scheme (1,000 households by 2011, with annual take-up of 430 households over four years to June 30 2016) • annual lot release targets of 20 per cent affordable reached or exceeded. Continuing strategy of the ACT Land Development Agency • compact affordable house/land packages less than \$300,000: Current annual release of about 300 per annum • increase community housing supply by boosting the scale of the Community Housing Canberra (over 400 additional tenancies by early 2017)
NSW Asset Vesting Program	Development and transfer of over 6,000 new dwellings to the community housing sector	<ul style="list-style-type: none"> • estimated 6,276 units vested to CHPs • estimated 1,310 to be leveraged from asset vesting

Source: Various policy documents including annual reports, media releases and direct communication with relevant departments.

6.2 Government partnerships with the private and not-for profit sectors

The development of the WA affordable housing strategy helped expand an existing program of collaboration with the private sector, opening up opportunities for joint ventures leveraging affordable housing. Examples include Stellar Orion (Cockburn Central), Adobe (City West) and One on Aberdeen (Northbridge). Vision and leadership within the Housing Authority created conditions for innovation and developed a more market-orientated approach. At the time of

strategy development and launch (2009–10), the Housing Authority was able to take advantage of weak housing market conditions, securing good deals with developers and builders. Expertise was present within the organisation to adopt such a market-based approach creating joint ventures delivering what the private sector required to make the projects work financially. Agreements to purchase dwellings at scale helped developers meet the pre-sales requirements set by lenders, reducing the risk of having unsold product at the end of the development period. Buying at scale enabled the negotiation of discounts subsequently used to deliver shared equity opportunities. The use of state-owned land as equity has also been successful, reducing state government capital investment and allowing deals to be structured that delivered a high proportion of affordable housing within the mixed use development. The Housing Authority is also piloting partnerships with private sector landlords to deliver long-term rental housing at a discount to enable tenants to transition out of public and social housing. The key lessons from such partnerships surround continued innovation. Rather than simply using the same model time and time again, the Housing Authority has continued to innovate, evaluating what would work in prevailing market conditions to meet identified need in the housing market. The current structure of the organisation has enabled this innovation; developing expertise by engaging with the private sector through expressions of interest for specific project opportunities, leveraging private sector knowledge. The WA Government needs to ensure that the merger of the Housing Authority with two other departments into a much larger Department of Community Services does not endanger the culture of innovation within the organisation and stifle the sort of policy development required in ever changing housing markets.

Both the ACT affordable housing action plan and the asset vesting program in NSW have delivered partnerships with the community housing sector. Such asset transfers were also an important part of the WA Strategy. In the ACT, financial support was provided for the CHP Community Housing Canberra (CHC) along with ownership transfer of 132 public houses with an additional finance facility to help the organisation grow. The commitment of the ACT Government to partner with CHC resulted in a reasonably small degree of financial and asset support delivering 500 additional affordable rental units within a ten-year period. It shows how targeted support can deliver significant outcomes. NSW adopted a different approach using competitive tenders for dwellings transfers which included commitments to leverage the value of the transferred dwellings to finance some 1,300 additional affordable housing dwellings. While the success of the program is largely viewed as mixed, the program was considered a vital catalyst in the size, diversity and professional capacities in the CHP sector.

What the case studies show is that partnerships are important if state governments are going to deliver at scale, leveraging private and not-for-profit investment and expertise. As development expertise in the community housing sector grows, state governments should seek ways to support such growth. With cheaper finance on the horizon through a government commitment to a bond aggregator model, relationships between states and the community housing sector, particular through the use of government-owned land, could deliver significant quantities of affordable housing.

Joint ventures with the private sector can deliver affordable housing as part of mixed tenure developments if the deal is structured effectively, particularly in poor market conditions where favourable deals can be negotiated. The ability of a state government to use market conditions in their favour, reacting quickly to opportunities that may arise is a very important lesson. The WA Government has secured a continuous flow of lots from newly developed subdivisions as part of various partnerships and this land has allowed the organisation to demonstrate to the market that there is demand for alternative products such as much smaller lot sizes, medium density dwellings in outer suburbs and different tenure models. Such innovation is vital in WA which lacks the sort of housing diversity present in other states.

6.3 What can we learn from the case studies?

6.3.1 Resilience of the strategy or program

A key lesson from both the NSW program and parts of the ACT strategy was the difficulty in sustaining the housing outcomes after the original political champion(s) were no longer in place. In the case of the ACT, when the strategy direction changed from the original focus around 2012, the same political party was in power, although the political leadership had changed. Although this change in political direction is a normal part of the democratic process, the changes in strategy made it difficult for some key stakeholders who had made organisational and financial commitments based on the original policy. In NSW, a change of government marked the end of the vesting strategy with the new government adopting a different approach to public sector assets.

From the case studies, the most enduring outcomes seemed to be associated with elements of the strategy with short time horizons or elements that required a long-term agreement with a third party that was difficult to unwind. Programs where there was no bureaucratic consensus on direction and purpose were most at risk. In contrast, key messages from the WA strategy have been reinforced by successive housing ministers helped by a period of political stability. The leadership team within the Housing Authority were very active ensuring the strategy remained front and centre, framing policy developments such as the recent seniors' affordable housing strategy. With a change of government in May this year and the merging of the Housing Authority into a much bigger department, it remains to be seen just how resilient the affordable housing strategy proves to be.

The relationship between the lead organisation and the Treasury is critical. In both the ACT and WA the Treasury were supportive of the strategies. Of course it helped in WA that the Treasurer was also the housing minister. Without the support of the organisation controlling the state's finances it is difficult to progress any strategy that might have an impact on the state budget.

6.3.2 Leadership

Of all the elements that this project examined, leadership is the most important. This mirrors findings by Borins (2002:474) who also found 'a strong link between innovation and leadership in the public sector,' particularly from politicians and agency heads with a clear shared objective. The delivery of better housing outcomes in a city or region is a long and complex process that requires the support, and sometimes the active participation, of many different stakeholders, including a range of government agencies and the private sector. The support of leading politicians and bureaucrats was, in these cases, essential for housing strategies to be successfully implemented. The ACT case clearly demonstrated that very strong leadership is needed to bring all these elements together—a situation that was mirrored in WA. It was speculated by those involved that without the leadership of the housing minister of the time and the CEO of the housing authority it is unlikely the WA affordable housing strategy would have been developed and implemented as successfully as it was. The East Kimberly Transitional Housing program provides another illustration of just how a driven collection of individuals can make a real difference if provided with the support to implement ideas. Developing conditions within an organisation where staff are able to innovate and implement such innovations is one of the critical roles of a leader (Borins 2002; Dodge, Dwyer et al. 2017).

6.3.3 Federal funding

In most cases, state government affordable housing strategies will require the expenditure of considerable resources. Even when these governments are running surpluses, the level of resources required to make a difference in terms of housing outcomes is at such a level that strategies will be most effective when they can augment their own resources with those of the

Federal Government. This is clearly evident from the WA and ACT cases where state housing targets were partly met with the assistance of the Nation Building Initiative as well as the NRAS scheme. The East Kimberley Housing program was able to access funding from the Federal Government's Ord River program. In NSW, the AVP was mainly facilitated through new stock constructed as part of the Nation Building Initiative.

6.3.4 Organisational structure and innovation

A key element of both the WA and ACT housing strategies was the involvement and leadership of central agencies. This leadership was effective at gaining the support of other line agencies as well as facilitating access to adequate resources. The difficulty experienced by the AVP in NSW was partly a result of a lack of support by central agencies, particularly after the change in state government of 2011. In contrast, at the time when the WA affordable housing strategy developed, the housing minister in WA was also the Treasurer who was able to ensure whole-of-government support for the strategy.

The ACT and WA cases show how innovative organisations are able to move quickly to capitalise on new funding opportunities. Such organisations need to be flexible and require staff with the ability to deliver innovative solutions quickly. That ability to innovate is partly a function of staff expertise but also of organisational structure. The structure of the WA housing authority evolved with the affordable housing strategy, in particular the growth of the commercial expertise within the organisation necessary to implement public private partnerships and leverage affordable housing opportunities.

6.3.5 Consultation and collaboration

One of the key lessons from the WA strategy was the role of good consultation, a collaborative approach to implementation and a good community engagement model. The WA Social Housing Taskforce, which provided the platform for the affordable housing strategy and consisted of a range of private and community sector organisations, were consulted during the development process and were active in its implementation. The ACT Affordable Housing Plan was based on significant consultation with a range of private and community sector stakeholders, but the implementation was undertaken from within government. Perhaps a more collaborative approach might have assisted the smoother implementation of the policy in some areas in the ACT. Early consultation and engagement is key, both within an organisation to ensure support and across government departments to ensure a smooth passage through cabinet approval. Consultation needs to make organisations feel part of the process rather than be simply a tick box exercise. Taking well-formed ideas and demonstrating the role of the collaborating organisation in delivering the strategy are important. In WA, displaying graphically the major components of the strategy helped communicate the concepts and was viewed as being a key part of the successful consultation process.

6.3.6 Responsiveness

It is often difficult to know when opportunities might arise in a range of policy areas. The fact that the groundwork had been undertaken with the AVP enabled NSW to respond to the opportunities provided by the nation building initiative. In the ACT, the bureaucracy was able to respond quickly to the political opportunity of having a Chief Minister and Treasurer who was very interested in affordable housing because they had been doing research and program design on affordable housing since 2003. This would suggest that there is an advantage of agencies having some 'shovel-ready' housing strategies available in case some opportunities become available. Similarly, the Wunan foundation had a viable scheme in advance of Federal funding and were able to move quickly when the funding opportunity arose.

6.3.7 The key role of the private and non-government sector

Both the WA and ACT strategies highlighted the key role of the private and non-government sectors in implementing the strategies. Governments can take the lead but the actual delivery will require the cooperation of key private and non-government sectors. The number of significant joint ventures between the government and the private sector in WA and the ability of CHC to deliver ambitious dwelling targets with little direct government support are key lessons for any future strategy. An organisation's ability to recognise how and when to engage with the private sector is critical. In WA, the Housing Authority was able to take advantage of a very weak housing market and secure favourable deals with the private sector delivering affordable housing as a result. It can be argued that such deals would not have been possible in a strong market. This comes back to the flexibility of an organisation; the ability to step up partnerships when market opportunities arise. Without expertise within an organisation able to identify market-driven opportunities, the WA affordable housing strategy would certainly have delivered less innovative affordable housing outcomes.

It is important for state governments to lead the market when it comes to innovation. This may be through the agency responsible for housing or the state's development agency. By demonstrating that innovative products can be successful in the market, the private sector is more likely to adopt such innovations, and quickly. There are a number of examples in WA around lot sizes, sustainability features and medium density products on traditional Greenfield sites first implemented by government and now becoming more and more common on private sector sites.

6.3.8 Nature of the strategy

It is clear that the issues already addressed are important in helping the successful launch and implementation of a housing strategy. However, the quality of the housing outcomes from any strategy are closely aligned with the quality of the actions contained in the strategy. A feature of both the ACT and the WA strategies was the depth and the breadth of the actions. The ACT strategy consisted of 63 individual strategies or actions targeted across different price points of the housing market. The strategy was not aimed at one segment of the market. A broad strategy also has the advantages of diversification—if one strategy is less successful, then other strategies can still assist the broader housing targets.

In WA, the Housing Authority brought together a number of existing affordable housing programs and was able to take advantage of new Federal Government money to quickly show results. This was a clever strategy that virtually assured its success and therefore ongoing political support. The 20,000 units by 2020 was a great headline, however it was also a very achievable target given the existing programs in place. When the target was achieved five years early it delivered a big win for government, and the Housing Authority used the opportunity to effectively re-launch the strategy with a new target, ensuring it remained front and centre in the strategic thinking of relevant organisations. Strategies have a short time to deliver success before they are replaced, so setting achievable targets and celebrating success tends to lengthen the life of such strategies. Organisations are able to celebrate success and even expand on the basis of this success allowing further development of expertise and therefore the potential to deliver.

The two affordable housing strategies in this report can be compared with two recent state affordable housing strategies for Victoria and NSW that have been criticised for focusing on first home buyers and not directing much attention to the affordable rental end of the market (Saulwick 2017). In contrast, the WA strategy delivered initiatives across the whole of the housing continuum, which is one reason why it was so well received by the broad housing industry, recognising the role of market housing in helping households transition out of affordable tenures.

6.4 The ingredients for a successful government-led strategy

If governments are considering formulating effective affordable housing strategies or programs there are important lessons to be learnt from the case studies discussed in this report:

- Strategies are most likely to succeed if they are launched from a single lead agency with support from the State Treasury.
- They require strong and sustained political leadership and must be able to survive a change of government.
- The most effective strategies are ones that are based on consultation with a range of stakeholders including the private sector, community advocates and housing experts. They need to correctly diagnose the current operations of the housing markets they are trying to influence.
- Various vested interest groups, including some government agencies, may try to undermine a housing strategy. The implementation strategy needs to consider this and realise agencies have their own agendas and an ongoing commitment to push through any bottlenecks is required. This is where strong political leadership is essential.
- Strategies are most likely to succeed when they include a range of programs, including public private partnerships. They must address the housing needs of a range of groups, but particularly focus on the bottom two quintiles. A focus on transitioning households out of affordable housing tenures and into sustainable market housing seems to generate broad industry support.
- They require achievable and measurable outcomes, economic and social, which are clearly reported back to government, industry and the community.
- They are most likely to succeed if they are able to attract resources from multiple levels of government and are able to leverage resources from the private sector.
- They should be based on sound evidence, ideally a robust assessment of housing need²⁰.
- Organisations responsible for strategy development and implementation must be flexible, responsive and have environments within which innovation can occur.
- They can be effective over the longer term if initial successes are widely reported and celebrated, helping establish ongoing support. They are then more likely to be resilient.

²⁰ Rowley, S., Leishman, C., Baker, E., Bentley, R. and Lester, L. (2017) Modelling housing need in Australia to 2025, AHURI Final Report No. 287, Australian Housing and Urban Research Institute Limited, Melbourne.

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Appendix 1: Programs under the Affordable Housing Strategy and funding sources

Table A 1: Programs under the Affordable Housing Strategy and funding sources

Strategy outcomes	Pre 2009	Funding type		
		State	C'wealth	Private industry
Social housing				
Social housing	●	●		
High needs support program	●	●		
Housing pathways Unit (2012)		●		
Assisted Rental Pathways Scheme (2015)				
National Partnership agreement on Remote Indigenous Housing	●		●	
Community housing growth providers				
National Partnership agreement on Homelessness	●		●	
Employment-related accommodation				
East Kimberly Development Package Transitional Housing program (Wunan and the Housing Authority)		●	●	
West Kimberly Development Package Transitional Housing program		●	●	
Affordable rentals				
NRAS	●	●	●	
Bond assistance	●	●		
Government regional Officers/Housing for workers scheme	●	●		
Service Worker village South Hedland (partnership)				
Affordable land				
Joint ventures with Housing Authority and venture partners				●
Golden Bay development (Housing Authority and Peet Ltd)				●
Broome North (Housing Authority and LandCorp)				●
Yanchep development (Housing Authority and Frasers Property)				●
Affordable home ownership				
Keystart Home loans	●	●		
SharedStart	●	●		
Partner with Private Sector				●
Social lending schemes				
Partnerships across government and industry and reform				
Stella Village				
— Stella Orion (Success) ²¹ with Goodland Properties				●
— Living Space (Cockburn Central)				●
Stella Village (Adara Apartments, Success)				●

²¹ This project was funded through the Federal Government's Nation Building Economic Stimulus Plan.

Strategy outcomes	Pre 2009	State	Funding type	
			C'wealth	Private industry
One on Aberdeen (Northbridge)				●
Abode (West Perth)				●
Foyer Oxford (Leederville)				●
Ancillary dwellings trial—City of Fremantle				
<i>Planning System Reforms</i>				
— Residential Design Codes				
— Established 15 development Assessment Panels				
— Agreement: Housing Authority and MRA				
— Established Office of Land and Housing Supply				
— Established a Ministerial Roundtable on Affordable Housing				

Source: Adapted from Housing Authority (2016a) Annual Report 2015-16, Perth: Housing Authority.

Appendix 2: Outcomes of Affordable Housing Strategy 2010–20: Opening Doors

Table A 2: Outcomes of Affordable Housing Strategy 2010–20: Opening Doors

	Dec 2012	Dec 2013	Dec 2014	June 2015	June 2016 (annual report)
Social housing	3,690	4,009	4,648	4,803	5,087
Social housing (completed)		0 complete	403	444	
High needs support program (completed)	183	225	299	332	
Housing pathways Unit ('12) Assisted Rental Pathways Scheme ('15) (Public houses freed up and reallocated)	1,554	1,700			
National Partnership agreement on Remote Indigenous Housing (constructed)	266	435	494	563	693
National Partnership agreement on Remote Indigenous Housing (refurbished)	855	1,097	1,299	1,374	1,544
Community housing growth providers (completed)	9	82	166	186	287
National Partnership agreement on Homelessness (homes)	897	1,174	1,312	3,210	
Employment-related accommodation (Centres/People)		4 /72	5 /106	5/106	
East Kimberly Development Package Transitional Housing program (completed)			40	40	
West Kimberly Development Package Transitional Housing program ²² (completed)					49
Affordable rentals					
NRAS (completed)	724	1,661	2,554	2,805	3,506
Bond assistance (bonds given)	30,727	38,774	48,243	53,705	66,826
Government regional Officers/Housing for workers scheme (completed)	430	458	474	523	
Service Worker village South Hedland (partnership)	Initiated	No comment	No comment	No comment	293 homes
Affordable Land					12,990 (77% below

²² This transformative initiative was made possible by a \$33 million investment from the state government's Royalties for Regions program (Annual Report 2015–16).

	Dec 2012	Dec 2013	Dec 2014	June 2015	June 2016 (annual report)
					median price)
Joint venture with Housing Authority and venture partners (lots produced)	4,909	7,460	10,016	11,390	
Golden Bay development (Housing Authority) (lots produced)	Initiated	355	355	355	
Broome North (LandCorp) (lots)	Initiated	456	456	456	
Yanchep development		Initiated	No change	No change	
Affordable home ownership					
Keystart home loans (households)	2,891	6,463	10,549	12,049	14,538
SharedStart (households)	434	727	861	913	
Partner with Private Sector (completed)	406	1,000	1,713	1,899	
Social lending schemes (households)				988	
Partnerships across government and industry					
Stella Village					
-Stella Orion (Success) ²³ with Goodland Properties (homes completed)	130	130	130	130	
-Living Space (Cockburn Central) (Units/Affordable units)		136/72	136/72	136/72	
Stella Village (Adara Apartments, Success) (units completed)			327	327	
One on Aberdeen (Northbridge) (Units/Affordable units)	Commenced	Construction	161/65	161/65	
Abode (West Perth) (Units/Affordable units)	Commenced	Construction		86/25	
Foyer Oxford (Leederville) (dwellings)			98	98	
Ancillary dwellings trial—City of Fremantle	●				
<i>Planning System Reforms</i>					
— Residential Design Codes	Reviewed	Gazetted			
— Established 15 development Assessment Panels	●				
— Agreement: Housing Authority and MRA (1,300 new homes)	●	No change	No change	No change	
— Established Office of Land and Housing Supply	●				

²³ This project was funded through the Federal Government's Nation Building Economic Stimulus Plan.

	Dec 2012	Dec 2013	Dec 2014	June 2015	June 2016 (annual report)
— Established a Ministerial Roundtable on Affordable Housing		● Discussion paper released for comment			

Source: Adapted from Housing Authority (2016a) *Annual Report 2015-16*, Perth: Housing Authority.

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