

Final Report

A practical framework for expanding affordable housing services in Australia: learning from experience

authored by

**Vivienne Milligan, Peter Phibbs, Kate Fagan
and Nicole Gurrán**

**Australian Housing
and Urban Research Institute**

Sydney Research Centre

July 2004

AHURI Final Report No. 65

ISSN: 1834-7223

ISBN: 1 920941 40 1



Australian Housing
and Urban Research Institute

ACKNOWLEDGEMENTS

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

Many people have assisted during the research process, making this a truly collaborative effort. We would particularly like to thank Andrew Larkin for his contributions on the present state of affordable housing practice in the UK. Special thanks must go to Directors and staff of each of the housing providers studied, government departments and officials, and a wide range of additional stakeholders who were generous in sharing their time, resources and views. Their interest and participation forms the ground for this work; our guiding directive has been to improve future practice around housing affordability, and we hope this study will assist them in some fruitful way.

DISCLAIMER

AHURI Ltd is an independent, non-political body which has supported this project as part of its programme of research into housing and urban development, which it hopes will be of value to policy-makers, researchers, industry and communities. The opinions in this publication reflect the views of the authors and do not necessarily reflect those of AHURI Ltd, its Board or its funding organisations. No responsibility is accepted by AHURI Ltd or its Board or its funders for the accuracy or omission of any statement, opinion, advice or information in this publication.

AHURI FINAL REPORT SERIES

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

TABLE OF CONTENTS

EXECUTIVE SUMMARY	i
Introduction	i
Research Aims and Components	i
The Concept of Affordable Housing.....	ii
Providers studied	ii
Methods and Assessment Criteria.....	iii
Key findings	iv
Implications.....	v
1 INTRODUCTION.....	1
1.1 Project aims	2
1.2 Concepts and terms	3
1.3 Project scope and choice of operating models	5
1.4 Report structure	7
2 THE DEVELOPMENT OF AFFORDABLE HOUSING IN AUSTRALIA AND INTERNATIONAL TRENDS	8
2.1 The structure, scope and changing role of public housing in Australia	8
2.2 The development and practice of community housing in Australia	9
2.3 Other government supported housing sectors in Australia	10
2.4 The role of Commonwealth Rent Assistance	10
2.5 Innovations in government sponsored housing provision since the mid-1980s	12
2.6 Current affordability challenges.....	16
2.7 The emerging housing policy and program framework for affordable housing provision.....	18
2.8 The role of the planning system in the provision of affordable housing	22
2.9 Comparison with international trends.....	25
2.10 Concluding comments.....	35
3 RESEARCH FRAMEWORK AND METHODOLOGY.....	37
3.1 Information sources and methods of inquiry	37
3.2 Defining and analysing the housing development and management function	40
3.3 Defining and analysing the governance functions for new housing delivery models.....	45
4 ALTERNATIVE AFFORDABLE HOUSING DELIVERY MODELS IN AUSTRALIA	46
4.1 Overview of the status of the not for profit affordable housing sector	46
4.2 Description of State Government established agencies	63
4.3 Independent and community affordable housing agencies.....	80
4.4 Other initiatives and players related to affordable housing	98
4.5 Concluding comments.....	106

5	LESSONS ARISING FROM THIS STUDY AND THEIR IMPLICATIONS FOR A POLICY AND DELIVERY FRAMEWORK FOR AFFORDABLE HOUSING	107
5.1	Introduction	107
5.2	Financial Analysis of City West Housing.....	107
5.3	Reviewing stock acquisition and operations of alternative affordable housing providers	112
5.4	Reviewing the governance of the alternative affordable housing providers	116
5.5	Optimal approach to establishing alternative providers of affordable housing	130
5.6	Policy implications.....	131
6	CONCLUSIONS.....	139
6.1	Main findings	140
6.2	Implications	143
Appendix C: Additional Affordable Housing Providers not Included in Chapter 4		158
REFERENCES		166
	Primary Documents	166
Other References		169

LIST OF TABLES

Table 2.4: Illustration of different options for rent setting for a single parent (with 1 or 2 dependents), receiving maximum Centrelink income (\$464 per fortnight, March 2004)	12
Table 2.9.4: Affordable housing products, United Kingdom.....	32
Table 4.1: Comparison of Australian Not for Profit Affordable Housing Delivery Models.....	47
Table 4.2.1-1: Adjustments in target allocations of tenancies by income group, City West Housing	65
Table 4.2.1-2: Profile of tenant households in City West Housing, June 2003	68
Table 4.3.1: Port Phillip Housing Program 1985 – 2004.....	82
Table 4.4.3: Recent or prospective initiatives by local governments to directly support an increased supply of affordable housing in their area [†]	104
Table 5.2.3-1: Examining the impact of subsidy elements using City West Housing data	109
Table 5.3: Reviewing the stock procurement and operations of alternative housing providers.....	113
Table 5.4: Comparing the characteristics and performance of not for profit governance models	119

LIST OF BOXES

Box 2.5: NSW Social Housing Subsidy Program, 1995 - 1998.....	15
Box 2.9.1: International arrangements for the delivery of social and affordable housing by non-government agencies, 1990s.....	27
Box 4.2.2: City Edge Development, O'Connor ACT	70
Box 4.3.1-1: Inkerman Oasis Development, St Kilda, Victoria	84
Box 4.3.1-2: Management Agreement (the Agreement) for properties owned by the City of Port Phillip(Council) and managed by Port Phillip Housing Association Inc. (PPHA)	86
Box 4.3.4: Kew project, Ecumenical Community Housing	95
Box 4.3.5: Inner City Social Housing Company, Victoria	96
Box 5.4.1: Broad assessment areas for the governance of Housing Associations in the UK	126

LIST OF FIGURES

Figure 4.2.3: Mapping Shareholders' objectives to Decisions about Company Structure, Brisbane Housing Company	78
Figure 5.2.3: Simulated impacts of affordability levers (using City West Housing data): Relative impacts on reducing market rents	110
Figure 5.2.4: Relative impact of the affordability levers on leverage achieved, City West Housing	111

LIST OF ABBREVIATIONS

ACOSS	Australian Council of Social Services
AHI	Australasian Housing Institute
AHURI	Australian Housing and Urban Research Institute
ALMO	Arms Length Management Organisation
APA	American Planning Association
ARCH	Association to Resource Cooperative Housing (NSW)
ATSIC	Aboriginal and Torres Strait Islander Commission
BCC	Brisbane City Council
BHC	Brisbane Housing Company Ltd
CAP	Crisis Accommodation Program
CCH	Churches Community Housing Inc. (NSW)
CEHL	Common Equity Housing Ltd (Victoria)
CHA	Churches Housing Association (NSW)
CHC	Community Housing Canberra
CHCWA	Community Housing Coalition of WA
CHFA	Community Housing Federation of Australia
CPP/PPHA	City of Port Phillip/Port Phillip Housing Association
CSHA	Commonwealth State Housing Agreement
CWH	City West Housing Pty Ltd
DGR	Deductible Gift Recipient
DHCS	Department of Disability, Housing and Community Services (ACT)
DHW	Department of Housing and Works (WA)
DOH (NSW)	Department of Housing (NSW)
DOH (QLD)	Department of Housing (QLD)
DOP	Department of Planning (NSW)
DUAP	Department of Urban Affairs and Planning (NSW)
ECH	Ecumenical Community Housing
EHI	Ecumenical Housing Incorporated
EHT	Ecumenical Housing Trust
GST	Goods and Services Tax
HA	Housing Association
HUD	Department of Housing and Urban Design, US
ICSHC	Inner City Social Housing Company
ICSHF	Inner City Social Housing Fund
ICSHT	Inner City Social Housing Trust
ITEC	Income Tax Exempt Charity
JV	Joint Venture
JVFA	Joint Venture Funding Agreement
LEP	Local Environmental Plan (NSW)

MAH	Melbourne Affordable Housing
Metro	Metro Housing Ltd
NCHF	National Community Housing Forum
NGO	Non Government Organisation
NSWFHA	NSW Federation of Housing Associations
OCH	Office of Community Housing, Department of Housing (NSW)
OOH	Office of Housing, Department of Human Services (VIC)
PBI	Public Benevolent Institution
PC	Productivity Commission
PICHA	Perth Inner City Housing Association Inc.
PPHA	Port Phillip Housing Association Inc.
QCHC	Queensland Community Housing Coalition Ltd
QTC	Queensland Treasury Corporation
RBA	Reserve Bank of Australia
REP	Regional Environmental Plan (NSW)
SAAP	Supported Accommodation Assistance Program
SCRCSSP	Steering Committee for the Report of Commonwealth/State Service Provision
SEHL	Singleton Equity Housing Ltd
SEPP	State Environmental Planning Policy (NSW)
SHA	State Housing Authority
SHIP	Social Housing Innovations Project (Victoria)
SHL	Supported Housing Ltd
VCAT	Victorian Civil and Administrative Tribunal
VCC	Victorian Council of Churches
UCA	Uniting Church of Australia

EXECUTIVE SUMMARY

Introduction

This report presents the findings of research conducted by the Australian Housing and Urban Research Institute (AHURI) Sydney Research Centre into the experience of non government not for profit organisations that have undertaken the development of their own social and affordable housing projects across Australia. The broad purpose of the research is to support the accelerated expansion of affordable housing products in Australia, by providing information and analysis of established models and suggesting strategies that can assist with their growth in both the near future and longer-term.

In the last few years, interest in the potential to use alternative financing and delivery models for social and affordable housing supply in Australia has increased. The main drivers of the growing research and policy attention being given to innovative models have been: shrinking public funds for social housing, growing affordability problems for low and moderate income households, and greater diversity of client needs that cannot be addressed adequately within the existing service delivery framework.

Research Aims and Components

There has been no previous systematic research into newly-emerging forms of affordable housing delivery in Australia. As the first research project in this field, the study sets out to:

- Ascertain the local context in which Australia's affordable housing sector is developing (Chapter 2);
- Provide a basis for interpreting the purpose, nature and potential implications of developments that are underway (Chapter 3);
- Establish an information base on which future research can build (Chapter 4);
- On the basis of research into the above, present an analysis of factors that have contributed to the relative success of the agencies and models studied, and those factors that have inhibited their performance and growth (Chapter 5); and
- Consider the policy implications of the research findings (Chapters 5 and 6).

Comparisons are made throughout the report to North American and European practices that may offer useful lessons because of the more advanced stage of development of their 'affordable housing sectors'. Those sectors are characterised by large scale private financing of both traditional and new housing products, underpinned by government subsidies and incentives and provided by a wide variety of delivery agencies; such as not for profit housing associations, 'arms length' entities (usually linked to municipalities), community development corporations, or regulated private providers.

The Concept of Affordable Housing

Affordable housing is intended generally to meet the needs of households whose incomes are not sufficient to allow them to access appropriate housing in the market without assistance. In the Australian context, there is no single accepted definition of what constitutes affordable housing. The term has recently gained currency as a way of distinguishing the supply of traditional forms of social housing in this country from a range of privately initiated housing options that may be more widely targeted. Those traditional forms include, especially, public housing; i.e., a government centred system of provision with restricted access or community housing, managed by specialist not for profit housing agencies. Providers of the more diverse range of affordable housing products are generally not for profit organisations or private individuals and companies who, in return for government assistance in one or more forms (such as planning benefits, tax incentives or financial subsidies), invest in housing provided under government regulation, funding agreement or contract at a price considered affordable to the target groups of households they serve.

Providers studied

To explore the emerging practice, the empirical focus of the study is on housing projects that are:

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

Eight agencies that are currently involved in developing and owning housing under government programs were identified through the research process as the main not for profit providers of affordable housing in Australia at present. They include:

- Three specific purpose housing companies set up and controlled by state or territory governments. These are City West Housing Ltd (1994) (NSW), Community Housing Canberra Ltd (1998) (ACT), and the Brisbane Housing Company Ltd (2002) (Queensland), formed jointly with Brisbane City Council;
- Two housing companies that have been formed independently, specifically to develop affordable housing. These are Ecumenical Community Housing (Victoria) (1999-2004), and Melbourne Affordable Housing (2003) (Victoria);
- Two existing community housing organisations that have expanded into project development and property ownership, mainly through joint ventures and other one-off opportunities. These are Perth Inner City Housing Association (trading as City Housing Perth (WA)) (founded 1985), and Community Housing Ltd (1993) (Victoria); and

- A unique community housing program initiated in 1985/86 by the City of Port Phillip, a local government authority, in partnership with the Port Phillip Housing Association (Victoria).

Information about the governance and operations of these agencies is compared in a comprehensive table in Chapter 4 (Table 4.1).

Methods and Assessment Criteria

Two sets of criteria developed from the attributes of an affordable housing sector are used to make assessments of the characteristics, strengths and limitations of the operating models, and of lessons arising from their experience so far. The assessments have been drawn from information and documents provided by each agency and other stakeholders; 41 structured interviews undertaken with the main players; and a financial analysis of the largest and most established provider (City West Housing Ltd).

The criteria that relate to stock procurement and management that are selected and applied are:

- *Scaleability*: the ability to grow to a size that will enable the organisation to generate the required economies of scale in a reasonable period of time;
- *Leverage*: the ratio of total investment to that part of investment directly funded by government;
- *Sustainability*: the capacity of the organisation to remain financially viable whilst still providing suitable client outcomes, especially in relation to affordability;
- *Flexibility*: the ability of the organisation to react quickly to development opportunities and provide solutions appropriate to prevailing market conditions; and
- *Cost-effectiveness*: measured partly by per dwelling costs compared to traditional social housing.

The criteria that concern governance and accountability that are chosen and used are:

- *Organisational capacity and expertise*: agencies must have the structures, leadership, decision making processes and skills to undertake commercial housing development where optimum leverage is facilitated and the end product is suited to its intended long term social purpose;
- *Accountability to government*: the extent of government investment requires robust accountability for financial arrangements, the protection and use of assets and client outcomes;
- *Community and tenant involvement*: principles of strong community and tenant participation and community accountability should be addressed by the operations of subsidised affordable housing agencies; and

- *Replicability*: the organisational model should be suitable for wider adoption across different jurisdictions and geographic areas.

Key findings

Size of the sector

The Australian affordable housing sector is tiny. The seven largest providers operating in Australia have developed little more than 1200 housing units in total over the last decade or so. The study finds that without further incentives and support being offered by governments, it is unlikely the sector will move beyond small scale opportunistically driven project developments.

Financing and leverage potential

The study has identified a range of leverage sources available to the not for profit sector, including savings on developer margins; increased rent revenue from different rent setting approaches and allocating to higher income households paying higher rents; some limited developer contributions and planning gains; and GST free supply.

Existing agencies are achieving reasonable leverage of government investment in affordable housing from these sources. There are real opportunities and benefits for governments to invest in these schemes to a greater extent, to boost the supply of affordable housing.

Operational viability

A lack of suitable data concerning operations of the agencies in the research and their early stage of development have constrained the extent to which performance and future viability could be assessed. However, financial analysis of the accounts of the largest and most established agency shows their operations to be sustainable. Several other agencies were found to be making good surpluses on their operations even at a relatively small scale. These should be able to be extended for larger scale (more economical) operations.

Organisational capacity and performance

This study shows that when and if an external sector-wide (and not company- or program-specific) regulatory system is put in place, new arms-length companies established by government will not necessarily have any clear or intrinsic advantage in comparison to independently-formed, not for profit companies. This is contingent however upon a level playing field; i.e., regulation and appropriate government capitalisation applying equally to both kinds of agencies. It has not been the structure of any one model to date, but *how* it has been engaged and operated, that has been critical to a new or existing agency successfully moving into housing development. Success has been driven by the high energy, commitment and skill of the people within government and within the agencies (both Directors and staff) who have initiated new models or demonstration projects, and who have persisted in their efforts to ensure success.

The study identifies a number of cost effective and efficient ways forward, if governments want to expand non-government affordable housing development in Australia without having to set up new companies. Different options will be appropriate in different jurisdictions.

Products and services

The larger affordable housing sectors overseas are characterised by their capacity to offer a greater choice of housing options to households with constrained incomes. To date, the products provided through not for profit housing providers in Australia have been relatively undifferentiated, being aligned principally with the criteria and rules for public housing – especially in terms of rent setting and eligibility. That situation is changing however, and agencies included in this research are at the forefront of trialling new rent setting and allocations models. As well the new providers are providing favourably located and well-designed housing, much of it configured differently to traditional public housing (for example, affordable housing located in mixed tenure developments or a purpose built boarding house). Some are also interested in developing new products, especially ‘key worker’ housing and shared equity options. While these directions are positive they are not necessarily aligned with current government goals and expectations, making innovation more difficult.

Implications

This study adds to an already large body of research that has reviewed potential policies and strategies that would support an expansion and diversification of affordable housing models in Australia. The focus of other studies, cited throughout the report, has included financing methods and regulatory frameworks; international practice; and the role of local government. This study contributes to a similar knowledge base by showing what has been possible through existing practice in the development of affordable housing by not for profit providers.

Based on the study findings, the suggested optimal way to approach the development of delivery arrangements that will support an escalation in housing development in this sector would involve:

- Using not for profit companies incorporated under the Corporations Act;
- A company selection process that minimizes establishment costs (by using either a template approach or by investing in capacity building for existing companies);
- Strong consideration being given to partnerships or networks with existing community agencies, especially for tenancy management;
- Targeting to a high proportion of very low and low income households (up to Centrelink eligibility limits), but not exclusively;
- A permanent development and property management arm that can generate attractive and appropriate asset solutions at least cost;

- Involvement of local government in brokerage and facilitation of projects wherever possible, including greater use of their planning powers and discretion;
- Up front capitalisation (so that the company can maintain economies of scale in development and reduce their risk and process costs);
- A housing sub-market (not LGA) operating area (e.g., the inner city) to reduce planning risk and asset risk and contribute to scale;
- Maximisation of the financial levers to assist growth and affordability – including planning benefits, tax concessions, revenue options and not for profit development; and
- Use of a modest borrowing program that increases leverage whilst meeting conservative financial management targets.

Drawing on practical evidence and participant assessment, the findings of this research suggest a number of interventions by governments at all levels may be required to achieve expansion of the affordable housing sector, including:

- a) Governments getting behind working not for profit models of affordable housing and putting them on a sustainable basis;
- b) Harnessing champions and experts in government who can clear the path for early adoption of innovative approaches;
- c) Investing government capital and recurrent subsidies in ways that will optimise leverage and increase certainty for agencies taking on large scale projects;
- d) Clearer articulation of government policy requirements, rules of engagement, and expectations of performance;
- e) Strengthening the recognition of affordable housing in planning legislation and mandating the use of a wider range of planning levers;
- f) Ensuring affordable housing is a consideration in each step in the planning process – land allocation, plan making, setting subdivision and residential development standards, and the development assessment process;
- g) Giving strong incentives and support to local government to take a proactive role in supporting and /or brokering affordable housing schemes;
- h) Investing in capacity building and skills development for the existing community housing sector, particularly in governance, development financing and project management skills;
- i) Adopting a coordinated national approach to larger scale fund raising for affordable housing schemes; and

- j) Managing financial and development risks through growing a specialised capacity, preferably a national special purpose body that can provide guidance on development financing; develop a prudential and regulatory framework for the development role of the sector; credential agencies; and monitor, regulate and evaluate their performance.

Without a coordinated national policy approach that addresses all these issues, the not for profit affordable housing sector in Australia will not realise its considerable potential.

1 INTRODUCTION

Australia lags international trends to diversify systems of social housing provision away from a traditional model of publicly financed, owned and managed housing. However, in the last few years, interest in the potential to use alternative financing and delivery models for social and affordable housing supply in Australia has increased. The main drivers of the growing research and policy attention being given to innovative models have been: shrinking public funds for social housing, growing affordability problems for low and moderate income households, and greater diversity of client needs that cannot be addressed adequately within the existing service delivery framework. In addition, the emergence of greater segmentation in housing markets has stimulated consideration of the benefit of fostering more diverse and localised responses to housing need.

This report presents the findings of research conducted by the Australian Housing and Urban Research Institute (AHURI) Sydney Research Centre into the experience of non government not for profit organisations that have undertaken the development of their own social and affordable housing projects across Australia. The broad purpose of the research is to support the accelerated expansion of affordable housing products in Australia, by providing information and analysis of established models and suggesting strategies that can assist with their growth in both the near future and longer-term. The project also aims to assist policy makers and housing practitioners in practical ways by bringing together available information and lessons learned from practice so far.

The operating models for non government development of affordable housing in Australia are quite recent and small scale. This research investigates the progress of these early models, and identifies factors contributing to successful projects and barriers to their expansion or replication. To provide a comparative perspective on what may be required for successful development of larger scale alternative delivery models, the research also refers to frameworks for affordable housing provision elsewhere; especially in the United Kingdom, United States and Western Europe, since not for profit development at smaller and larger scales dominates growth in their respective affordable housing sectors.

This report is one of two main research products. A second document, *The Practice of Affordable Housing Delivery in Australia* (Milligan *et al.*, forthcoming), is designed to be a resource for policy makers and practitioners involved in affordable housing provision. It incorporates information on examples of working policies, financing strategies, planning and delivery mechanisms, governance and accountability frameworks and service innovations in the affordable housing sector.

1.1 Project aims

There has been no previous systematic research into newly emerging forms of affordable housing delivery in Australia. Formal evaluations of initiatives or programs in this sector have not taken place either, although some such studies have commenced or are planned.¹ As the first research project in this field, this study needs to establish an information base on which future research can build. It needs to ascertain the local context in which Australia's affordable housing sector is developing and provide a conceptual basis for interpreting the purpose, nature and potential implications of developments that are underway.

In that context, this project's main aims are to contribute to the research record and policy agenda by establishing an empirical record of the relative strengths and weaknesses of existing initiatives, and by investigating key operational issues being faced by not for profit providers of affordable housing; and, from that evidence, to develop practical guidelines for improving governance and delivery models.²

The specific aims of the research are to:

- a) Document, classify and compare the key elements of the main affordable housing organisations and projects across Australia;
- b) Determine the factors that have influenced the effectiveness of the provision of affordable housing to date;
- c) Consider recent international experience in affordable housing provision to identify features of its establishment and operation which could be applicable in Australia;
- d) Define conceptual models of affordable housing services that are suited to the local policy and institutional context; and
- e) Propose and, as appropriate, develop operational guidelines, tools and mechanisms to support a more systematic approach to expanding and sustaining affordable housing models in Australia.

The general research questions that are used to address those aims are:

- a) What range and type of models of affordable housing provision are operating in Australia?
- b) What are the core elements of the operating environments of these models?
- c) What results have been achieved to date?
- d) What factors have contributed to their success?

¹ A post implementation review of the Brisbane Housing Company has been undertaken and a formal long term evaluation of its operation is proposed. In other research, Bebbington (2001) described the operations of City West Housing and Spivak (1999a) studied the experience of select Australian local governments in using planning levers for affordable housing.

² Other research reports on options for expanding the supply of affordable housing in Australia undertaken for AHURI have focussed on financing (Hall *et al.*, 2001; Berry, 2002; McNelis *et al.*, 2002; Berry *et al.*, forthcoming) or regulatory issues (Clough *et al.*, 2002). This research is designed to complement those studies through its focus on delivery models.

- e) What have been the practical constraints limiting performance and outcomes?
- f) What strategies, policies or tools have been used elsewhere to address problems similar to those facing Australian providers and to what effect?
- g) What approaches would improve the operating environment for affordable housing services (beyond those strategies already considered in earlier studies, notably overcoming the barriers to private investment and regulatory reform³)?

1.2 Concepts and terms

1.2.1 From social to affordable housing

Ownership, financing and management arrangements for the provision of housing assistance vary over time and between countries, giving historical and geographical specificity to the terms and concepts that have been used to describe various forms of provision. This section distinguishes the way the terms *public*, *community*, *social* and *affordable* housing (as forms of housing provision) are used in this report, and puts each in its historical and national context.

Traditionally in Australia, the term ‘public housing’ has been used to refer to low rent housing financed, owned and managed by state housing authorities. (Foard *et al.*, (1994) provide data and historical information on public housing in Australia.) Since the 1980s, community-run not for profit organisations have played a growing part in the management⁴ of a proportion of publicly owned (public) housing in Australia, giving rise to the term ‘community housing’. (For data and information on community housing in Australia, see NCHF, 1999) Internationally, and increasingly in Australia, public and community housing is referred to generically as ‘social housing’ or, more accurately, ‘social rental housing’.⁵

Affordable housing is intended generally to meet the needs of households whose incomes are not sufficient to allow them to access appropriate housing in the market without assistance. In the United States, where a particular usage originated, the broad characteristics of ‘affordable housing’ are that is privately owned, socially oriented and price restricted (Davis, 1994). Generally, when this conceptualisation of affordable housing has been applied, the term is used to distinguish new ways of financing and delivering housing that is affordable for low and middle income households, from traditional forms of social (or public) housing. Many kinds of affordable housing products are recognised. These especially include housing for fixed term or secure letting at below market cost; shared home ownership (where an equity partner provides free or subsidised capital to assist a home buyer to access affordable housing); and subsidised or discounted home purchase.

³ See footnote 2 in this section.

⁴ In some states, community housing organisations may own a significant proportion or all of the stock that they manage, notably in South Australia, and in parts of the sector in Victoria and Queensland.

⁵ Definitions of social housing also vary. For example, in some usage, particularly in Europe, subsidised home ownership products may be included as social housing.

A more inclusive definition which tends to be adopted in the United Kingdom and Europe recognises affordable housing as including traditional social housing (publicly or privately owned (by housing associations)), as well as new forms of sub market and regulated market housing for purchase or rent. For example, the draft London Plan defines affordable housing as “housing designed to meet the needs of households whose incomes are not sufficient to allow them to access decent and appropriate housing in their borough. Affordable housing comprises social housing, intermediate housing (*for low and moderate income households*) and in some case, low cost market housing” (MOL, 2002).

In the Australian context, there is no single accepted definition of what constitutes affordable housing, and both broad and more specific (program based) definitions are used.⁶ The term ‘affordable housing’ has recently gained currency in housing policy and research circles, however, as a way of distinguishing the supply of traditional forms of social housing in this country from a range of privately initiated housing options that may be more widely targeted. Those traditional forms include, especially, public housing; that is, a government centred system of provision with restricted access. Providers of the more diverse range of affordable housing products are generally not for profit organisations or private individuals and companies who, in return for government assistance in one or more forms (such as planning benefits, tax incentives or financial subsidies), invest in housing provided under government regulation, funding agreement or contract at a price considered affordable to the target groups of households they serve.

At present, Australia is visibly beginning a transition from traditional models of social housing supply to a more diversified system of affordable housing provision, involving new delivery arrangements, non government responsibility for asset and tenancy management, mixed public and private funding sources, planning innovation, different rent setting models, and a mix of target groups.⁷ However, it must be reiterated that across Australia there is not yet a consistent view about what constitutes an affordable housing dwelling.

The practical interest of this study is in the current operations of non government, not for profit providers in Australia who are procuring their own housing using a mix of funding sources to let (or potentially sell) to households with an affordable housing need, either as defined for traditional public and community housing or on another basis. Thus, the study has chosen as its focus housing projects that are:

⁶ During the study only one statutory definition of affordable housing used in Australia was identified in the NSW Environment, Planning and Assessment Act, 1979, as amended in 2000: “Affordable housing means housing for very low income households, low income households or moderate income households, being such households as prescribed by the regulations or as are provided for in an environmental planning instrument” (s.4).

⁷ A similar trajectory in the UK that predates what appears to be happening in Australia is described in Monk and Whitehead (2000).

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

1.3 Project scope and choice of operating models

This research focuses on recent developments in the delivery of affordable housing in a social policy framework in Australia. To assist in identifying agencies relevant to the study, members of the study's user group (Appendix A) were asked to nominate non government organisations (NGOs) involved in affordable housing using their knowledge of the sector and their records. From that list, those agencies that were known to be active on a regular basis procuring and holding housing assets for renting at an affordable (sub-market) rent were chosen.⁸ Using information about how these agencies became involved in the development of affordable housing, they can be grouped as follows:

- New specific purpose housing companies set up and controlled by state or territory governments. These are City West Housing Ltd (1994) (NSW), Community Housing Canberra Ltd (1998) (ACT), and the Brisbane Housing Company Ltd (2002) (Queensland)⁹;
- New housing companies that have been formed independently, specifically to develop affordable rental housing. These are Ecumenical Community Housing (Victoria) (1999-2004), and Melbourne Affordable Housing¹⁰ (2003) (Victoria);
- Existing community housing organisations that have expanded into project development and property ownership, mainly through joint ventures and other one-off opportunities. These are Perth Inner City Housing Association (trading as City Housing Perth (WA)) (founded 1985), and Community Housing Ltd (1993) (Victoria). In these cases, the research focus is on the part of their business concerned with affordable housing delivery; and

⁸ Home ownership and shared home ownership products sold at sub market prices are also included as affordable housing in many overseas countries, notably the United Kingdom, the Netherlands and the United States. In Australia, such products have been wound back in recent years and are being not provided by NGOs at present, although this may change.

⁹ The Queensland Government and Brisbane City Council formed the Brisbane Housing Company jointly.

¹⁰ Melbourne Affordable Housing operated as Inner City Social Housing from October 2000 until July 2003.

- A unique community housing program initiated in 1985/86 by the City of Port Phillip, a local government authority, in partnership with the Port Phillip Housing Association (Victoria). While originally conceived of and referred to as 'community housing', this program features a growing number of innovative projects with the characteristics established in Section 1.2 (above).

Three organisations identified as possible cases were not included in the final analysis: Metro Housing Ltd (NSW) (1996) and a pair of Victorian organisations, Singleton Equity Housing Ltd (1989) and Supported Housing Ltd (1993). In Metro Housing's case, despite prolonged attempts, the Company has not achieved any housing development; while the strategic intent of Supported Housing/Singleton Equity Housing at the time of the study was found not to be based around the development of affordable housing *per se*. (Appendix C provides some further information on these cases and highlights instructive lessons coming from their particular experience.)

A number of other organisations or sectors known to the researchers, or nominated by advisors as of potential interest, could not be considered within the resource capacity of the study. These are:

- Existing community housing providers whose experience in initiating and developing projects has been confined to one or two projects (often procured on their behalf), and is not continuing on any regular basis;
- Established social providers, such as Common Equity Rental Housing Cooperatives in Victoria, who acquired or developed most of their housing under historical community housing programs that are now closed (referred to in Section 2.5; see also Appendix C for overview of CERHC); and
- Specialist housing providers in the aged care, disability or Indigenous housing sectors that operate under different legislative, policy and funding arrangements.

Additionally, the providers of subsidised housing services that do not own or procure their own housing (especially community housing organisations involved in tenancy management under head lease arrangements - see Section 2.3) were not considered for this study because of its focus on the development and financing of affordable housing. Exclusion of these groups of providers is not intended to suggest they would not have revealed important lessons about other aspects of the delivery of affordable housing. However, it was necessary to constrain the study to a manageable scale and the decision was taken to consider, in more depth, general forms of recent and emerging models that are likely to be expanded in future. Where relevant in the study, passing reference is made to initiatives of some of the other agencies.

1.4 Report structure

Chapter 2 of this report describes the historical, policy and institutional context for the development of new affordable housing delivery models in Australia. This is complemented by a brief overview of selected international practice (research question 6) that draws out key trends in approaches to the delivery of affordable housing by not for profit providers. This comparative information is used later in the study to identify similarities and differences in emerging practice in Australia and to inform a discussion about the housing and planning policy implications of the study.

Chapter 3 sets out the methods of inquiry and analysis used in this study. To establish a basis for assessing the capacity and success of not for profit affordable housing development models, the chapter draws on conceptual models, previous research and existing best practice to suggest what the minimum requirements of such agencies should be – in terms of carrying out a sustainable development and financing function, achieving effective governance and risk management, and being accountable for their performance. From this examination, criteria with which to review the operating models are nominated.

Chapter 4 addresses in detail the first three research questions of the study, which are concerned with describing the range and type of not for profit affordable housing delivery models currently operating in Australia. The chapter begins with an overview of the endeavours of the not for profit developers in Australia so far and then presents case-by- case material in more depth.

Chapter 5 addresses research questions 4 and 5. It uses criteria established in Chapter 3 to identify factors that have contributed to the relative success of the models studied, and those factors that have inhibited their performance and growth. Drawing on this analysis, plus relevant practice elsewhere, it sets out principles to underpin the establishment of delivery vehicles and the policy implications of the findings of the study.

An overview of the study including key lessons and some principles to help strengthen and guide the expansion of the sector in Australia is presented in the concluding chapter, where the final research question (7) is addressed.

2 THE DEVELOPMENT OF AFFORDABLE HOUSING IN AUSTRALIA AND INTERNATIONAL TRENDS

2.1 The structure, scope and changing role of public housing in Australia

Following a number of one off initiatives by State governments, a national public housing program began in Australia in 1945. Under joint Commonwealth and State funding arrangements, the public housing program expanded rapidly in its first decade but, following policy changes in 1955, much of the expanding stock of public housing was sold to resident tenants over the next two decades.¹¹ By 1981, about 5 per cent of the national supply of housing remained in the public sector. The proportion of public housing in Australia has remained fairly constant since, although it is now beginning to decline (AIHW, 2001).

Public housing's small and declining place in the Australian housing system has been accompanied by a narrowing of the client base it serves. Initially, public housing was intended for those, such as working families and returning soldiers, who were unable to or did not desire to purchase their own homes (Jones, 1972; Foard *et al.*, 1994). By the 1970s, public housing was home to a diverse mix of low and middle-income households but, as the Inquiry into Poverty at the time noted with concern, many poverty stricken households also lived outside the sector (Henderson, 1975; Jones, 1983). Such concern led to policies to better target public housing to need, which, combined with changing demographic and social conditions, resulted in public housing became occupied by households within the income support system: the three largest groups being aged pensioners, single parents and people with a disability. Today, although the household mix is still diverse, an increasing share of households has a low income and/or special need.¹²

Under the original funding model for public housing in Australia, the Commonwealth government provided loans at concessional interest rates for States to buy land and build new dwellings. Rents were set at the historic cost of projects with provision for a rent reduction (or rebate) for tenants whose income was below the minimum wage. Over the long term, this model became unviable as costs rose and more and more households needed a rebate to keep their rent affordable. From the 1980s, to help reduce costs in the sector, borrowings were reduced and replaced by capital funding. In the 1990s, tenant rents were also increased to help cover costs. Despite these strategies, there has been a continuing deterioration in the operating position of public housing systems over the 1990s. By 2000/01, only two housing authorities (Victoria and South Australia) had not reached a deficit position. Analysis of cost and revenue trends in the public housing sector demonstrates that the financial position

¹¹ It is estimated that 720,000 units of public housing built between 1945 and 1981 were sold, leaving about 120,000 units remaining in 1981 (Jones, 1983). At June 30 2003, the number of dwellings owned (or leased) and managed by public housing agencies (including housing for indigenous households) was over 350,000 (SCRCSSP, 2004).

¹² Nearly 94 per cent of allocations to new tenant households in 2003 were made to households where all members had incomes at or below the maximum pension rate or to households with special needs. (SCRCSSP, 2004, Table 16.8).

of all Australian public housing authorities is unsustainable and will continue to worsen unless there is a combination of financial, policy and administrative reform (Hall and Berry, 2004).

One consequence of the declining viability of public housing in Australia is that no real growth in public housing supply (on a capital funded basis) is possible at current funding levels. This is because operating deficits and the need for significant investment in maintaining and upgrading the existing ageing and under maintained asset base use up all discretionary funds. This situation is one of the main drivers of the search by Australian governments for alternative financing and delivery models for affordable housing.

2.2 The development and practice of community housing in Australia

In the early 1980s, several state housing authorities (SHAs) initiated programs to devolve responsibility for aspects of their housing services to non government organisations (NGOs). This direction was given national impetus after 1984 when the Commonwealth Government earmarked a small proportion of national funding under the Commonwealth State Housing Agreement (CSHA) for community housing. A program of 'tied funds' for community housing has been a feature of all successive agreements, with the latest CSHA (2003/04 –2007/08) providing about 7 per cent of total Commonwealth funds per annum (\$64 million in 2003/04) for this purpose.¹³

From these beginnings, community housing has grown gradually in Australia. In June 2003, more than 1200 providers were managing nearly 8 per cent of CSHA funded housing (29,376 dwellings) (SCRCSSP, 2004).¹⁴ As a result of the way that governments in Australia have steered the development of the sector, the organisations responsible for providing community housing services are specialised in tenancy management and minor property upkeep. Only a few agencies undertake housing development or raise private finance. The typical agency is a small, local not for profit association or housing cooperative run by an elected voluntary management committee or by its members, respectively. Agencies are contracted by government to provide their housing services and generally rely heavily on annual funding grants to complement their rental revenue. Whether community housing agencies own the assets they manage varies widely between jurisdictions and types of providers, with asset ownership being lowest in NSW and greatest in South Australia (NCHF; cited in SCSi, 2003, p.137).

Until recently, government support for community housing has been linked primarily to objectives to foster more responsive and more specialised tenancy management models and to obtain additional sources of housing supply, such as through head leasing private housing and joint venture arrangements (see below). However, in the

¹³ Unlike for mainstream CSHA funds, States are not required to provide matching funding for community housing. However, most States direct significant additional CSHA resources to this sector.

¹⁴ In 1998, the AIHW estimated that approximately 15,000 community housing dwellings across Australia were then being funded and delivered outside of the CSHA, mostly by different providers to those operating in the CSHA funded sector (SCRCSSP, 2004).

face of declining support for and viability of public housing, more consideration is being given, especially at state government level, to the potential for non government agencies to develop larger scale and more diversified social housing businesses. Vanguard examples of such models operating in Australia are the empirical focus of this research.

2.3 Other government supported housing sectors in Australia

Arrangements for the provision of government funded housing through not for profit providers across Australia are quite diverse and segmented. This reflects the outcome of a mishmash of historical programs instigated by different levels and agencies of government. In addition to the mainstream community housing sector already described, there is a relatively large (by international norms) non government managed crisis and transitional housing sector; a sizeable independent Indigenous housing sector; and specialised not for profit providers operating in the aged and disability sectors.¹⁵ Each of these sectors operate under distinctive policy, funding and regulatory frameworks. In the aged and Indigenous sectors, for example, NGOs tend to be property holders – unlike for many agencies in the mainstream community housing sector. (For more information see AIHW, 2003; McNelis and Herbert, 2003; SCRCSSP, 2004.) To date there has been very little attempt in Australia to diversify the role of specialised housing agencies or to better integrate funding and service delivery models across the various government supported sectors. Instead, the trend has been for new program directions to lead to new institutional and organisational arrangements. As this research will show, this trend appears to be continuing with the emergence of a separate affordable housing sector based around new arms-length, government controlled delivery entities, and operating outside of the existing community housing sector in several jurisdictions.

2.4 The role of Commonwealth Rent Assistance

Beyond the subsidised housing service system described above, a rent assistance payment (known as Commonwealth Rent Assistance or CRA) cast within the framework of the national income support program is becoming an increasingly important source of revenue for affordable housing providers.

From its inception in the late 1950s until today, this program has provided a supplementary source of income to renters whose housing costs exceed a minimum threshold. Public and private renters who were on minimum pensions were eligible for assistance until 1982. Since then the payment has been restricted to private tenants (both those with formal tenancy agreements and those renting informally, such as people sharing and boarders and lodgers). The classes of beneficiaries eligible for CRA have also been broadened significantly over the last two decades,

¹⁵ Over 21,000 permanent Indigenous community housing dwellings provided by 616 Indigenous organisations were identified in the last Community Housing and Infrastructure Survey in 2001(SCRCSSP, 2004).

so that almost all income support clients are now included in the potential ambit of the program.¹⁶

Rent assistance is paid directly to approved clients on a fortnightly basis in accord with a payment schedule that varies according to household type, income level, benefit type, housing situation (whether sharing or living independently), and rent paid. A maximum payment level also applies (www.centrelink.gov.au).

Importantly, in the context of directions that affordable housing schemes and proposals are now taking in Australia, tenants of not for profit housing organisations can apply for the CRA payment, subject to the rent they pay being above the minimum for their household and benefit type. In particular, this provision creates an opportunity for non government providers (unlike their public housing counterparts) to obtain an additional revenue stream to underpin their costs, thereby assisting them to keep their rents more affordable to lower income Australians. Increasingly, community and affordable housing providers are looking at ways of setting rents to optimise their revenue from this source, and to provide a range of options suitable for a broader range of clients than public housing within an overall objective of achieving an 'affordable rent'.

Table 2.4 compares the different approaches that could be taken to rent setting by affordable housing providers. It uses an illustration for a single parent with one or two dependent children living in an inner city 2-bedroom property with a market rent of \$ 500 per fortnight. The table shows the impact on affordability outcomes and revenue of property rent under different methods, as additional CRA compensation is drawn down (i.e., until the maximum CRA entitlement is reached). The table shows the potential for revenue improvements over public housing: for example under option 3 an NGO provider receives 124 per cent additional rent while affordability for the tenant decreases to 32 per cent of income, compared to 25 per cent for public housing.

¹⁶ Hulse (2002) provides more detail on the design and operation of CRA.

Table 2.4: Illustration of different options for rent setting for a single parent (with 1 or 2 dependents), receiving maximum Centrelink income (\$464 per fortnight, March 2004)

Rent model	Fortnightly rent (\$)	CRA contribution to rent (\$)	Tenant contribution to rent (\$)	Revenue improvement (compared to public housing)* (\$)	Tenant affordability (net rent as % of net income)
1 Rent set at 25% of income (net of CRA)	116	3	113	3	24%
2 Rent set at 25% of income, including CRA	129	13	116	23	25%
3 Rent set to attract maximum CRA	260	112+	148	144	32%
4 Rent set at 74.9% of market rent	375	112+	263	259	57%
5 Rent set at market	500	112+	378	384	108%

Notes: *Public housing rents are normally at 25% of household income. Public tenants do not receive CRA.

+the maximum allowable payment for this household group.

Source: Calculated from Centrelink rules for CRA payment and single parenting payment, March 2004.

Recent rent setting proposals in the affordable housing sector are being structured on the basis that CRA is optimised (models 3 and 4 in Table 2.4). In these models, Commonwealth rent assistance is being combined with a supply side solution to give Centrelink clients access to good quality, secure rental housing at a much more affordable rate than in the private market at the same cost to the Commonwealth.

2.5 Innovations in government sponsored housing provision since the mid-1980s

The forerunner to the recent push to diversify the financing and delivery of social and affordable housing can be found in a limited number of national, state and local innovations that were introduced from the mid 1980s.

Facing growing housing need and limited public funding at that time, there was strong interest, especially at state government level, in attracting private finance for social and affordable housing. Many innovative schemes were considered. Only a few came to fruition, however, and none achieved scale or were replicated. Berry (2000) provides a summary of the models attempted and floated up until the mid 1990s. A number of studies have consistently identified a set of interconnected reasons for the failure of these models to be adopted or gain traction in the 1980s and early 1990s.¹⁷ Reasons given (as summarised in Berry, 2000) include: the lack of track record for structured investment in affordable housing schemes in Australia; the small scale nature of the projects that have been on offer, which in turn leads to higher costs for institutional investors who respond to them; the high risks associated with rental investment, including risks related to property and tenancy management and the possible impacts of long term changes in government policy (especially

17 See Berry (2000, p. 672) for a full list of past studies on the barriers to institutional equity investment.

taxation); and finally, the relatively poor rates of return on rental housing in Australia, especially for institutional investors who have a wide choice of alternative investment opportunities.

Programs to initiate private debt financing of community housing were introduced in two states, Victoria and South Australia, using funding drawn from both the national community housing program and earmarked state funds. In Victoria, over 130 Common Equity Rental Cooperatives were funded from the 1980s to the mid 1990s using a mix of private borrowings and government capital and recurrent subsidies, producing a total portfolio of around 1500 dwellings. In South Australia, the South Australian Cooperatives and Community Housing Act (1991) and the South Australian Community Housing Authority established through that statute provided the framework for borrowing by housing associations and cooperatives. While these state-specific programs are still operating today, they have not expanded significantly from the scale reached last decade. One important difference to the development models now emerging (or proposed) is that under those state-specific programs, the majority of housing was simply procured from the existing housing market using private loans, rather than being purpose-built using more innovative financing models and planning. Appendix C describes in more detail recent directives being pursued by CEHL, which is the umbrella agency for the Common Equity Rental Cooperatives in Victoria.

In the late 1980s, under the CSHA Local Government and Community Housing Program, several states also introduced joint venture models to leverage equity (and occasionally borrowings) for social and affordable housing purposes from church, community and charitable organisations. Such programs were heavily circumscribed by the availability of land and other resources among NGOs, and by the specific interests of the joint venture partners in providing housing. The mostly small scale and geographically dispersed character of the projects that resulted has tended to reinforce the fragmented structure of community housing in Australia. Although limited, this kind of government/not for profit joint venture model has been the only means available to existing community housing agencies interested in increasing their asset and revenue base for growth and leverage purposes, as demonstrated later in this research.

Following a recommendation of the National Housing Strategy (1991-1992), the Commonwealth government announced a new housing program, the Social Housing Subsidy Program, to provide recurrent financial support for private borrowings for rental accommodation and shared equity models. The program was structured to support an expansion of housing for lower income households using private financing methods, supported by a recurrent subsidy from both Commonwealth and State budget outlays over 21 years. It was the first and only national program of its kind in Australia. In 1996, the incoming national government cancelled the program, which had by then only been taken up by two jurisdictions. There has been no analysis of the program outcomes. However, information obtained from the DOH (NSW) suggests that its application in NSW has been successful. The NSW program is structured on a very simple low risk model: housing acquired through a fixed

'interest only' loan, priced at rents affordable for a mix of low and moderate income earners, with finance costs met from surpluses of rent revenue over operating costs (boosted by mixed income occupancy) and a government recurrent subsidy paid annually. At the conclusion of the program after 21 years, capital appreciation allows for retirement of loan principal and upgrading of properties retained. Some performance data for the program are set out in Box 2.5. Analysis shows that the program design has some of the key elements of a successful public/private financing model; including a long term subsidy stream linked to a fixed rate loan, and sustainable operations linked to a predictable revenue stream and variable rent setting for a mixed income clientele (Mills, 2003).

Box 2.5: NSW Social Housing Subsidy Program, 1995 - 1998

Product	255 properties for long term rental acquired between 1995 and 1998 at a cost of \$44m.
Finance	20 year fixed interest only loan of \$44m brokered by the former NSW Office of Housing Policy, raised through NSW Treasury Corporation at competitive rates*.
Recurrent subsidy	Annual subsidy of nearly \$4m paid towards loan interest costs by the Commonwealth and State in roughly equal proportions.
Providers	9 large NSW Housing Associations participate in the scheme. They manage between 16 and 34 properties each, under head leases with DOH.
Financial management	<p>Providers retain all revenue from subletting the properties. They are required to make an annual contribution to loan servicing costs (\$432m in 2001/02, approx. \$1700 per property).</p> <p>Providers are responsible for all property outgoings and tenancy management costs. Capital upgrades are subject to negotiation with DOH as the property owner.</p> <p>It is envisaged that a proportion of properties will be sold to repay debt after the conclusion of the program. Providers will receive an equity share in the properties remaining after the program is finalised equivalent to their share of the total loan repayments made.</p>
Operating position	In 2001/02, the program operated with a surplus of just over \$200,000, which is held in a secure fund by the providers.
Rent and access policies	Policies were set specifically for the program. The eligibility policy allowed for a balance of very low, low and moderate (beyond public housing income limits) income households. Households with incomes that make them eligible for public housing pay no more than 25% of their income in rent; moderate income households pay no more than 30%. Maximum rent is set at the market. In 2001/02, 38% of tenants received their main income from employment.

Notes: *The DOH (NSW) subsequently repaid the loan as part of a wider debt mitigation strategy.

Source: Data provided by Office of Community Housing, DOH (NSW).

The first national program in Australia to include capital funding for the development of innovative affordable housing models (that is, outside of the social housing system) was the Better Cities Program (1991-1996). The broad aim of this program was to improve economic efficiency and social equity by combating problems in Australian cities that were perceived to be associated with locational disadvantage, lack of affordable housing, and declining public infrastructure (Gleeson and Low, 2000). The program provided capital funding from the Commonwealth to be matched by states and/or local governments for a wide range of demonstration projects, including projects that involved the development of new affordable housing options. In particular, it provided the impetus for the foundation of the City West Housing Company in NSW. The program provided a major injection of funding for various forms of infrastructure (estimated at \$2.3 billion over the five years from all government sources (Forster, 1999)). However, relatively little funding flowed to new housing projects.

The Social Housing Subsidy Program and the Better Cities Program both aimed to increase the supply of affordable housing through supporting innovative financing and delivery arrangements. However, Commonwealth support for these programs was withdrawn after a change of government in 1996, when the focus of national housing policy shifted from increasing the supply of affordable housing to improving the efficiency of the existing social housing delivery system. The short-lived nature of previous innovative programs has contributed to the lack of success in securing any large-scale alternative investment in affordable housing delivery in Australia over the last decade or so.

At a state level, interest in encouraging joint ventures and other partnerships with NGOs and the private sector to procure additional social housing has continued throughout the 1990s until the present. This is still on a minor scale, however, as this report subsequently shows.

2.6 Current affordability challenges

Much has changed in the recognition of housing affordability issues facing Australia in last five years or so. This is reflected in several key research reports that have drawn out the primary challenges now facing politicians and policy makers. Australia's comparatively large and mature home ownership sector seems to have reached a watershed, with entry into the tenure falling across all income groups as a result of an interaction of factors including changing preferences and declining affordability. (See Yates, 2000; PC, 2003a.) By taking account of both affordability issues and demographic change, forward estimates suggest that home ownership will decline in Australia over coming decades, in favour of renting (McDonald, 2003).

Increasingly, too, the capacity of the public housing system to cope with growing demand from a diverse group of low income and special needs households under its current funding and policy regime has been severely tested. As discussed, a recent assessment shows that this system in its present state is unsustainable, and that assets will have to be sold to meet operating deficits unless new funds and administrative reforms are made urgently (Hall and Berry, 2004). Such a strategy will be self-defeating in an environment of continuing high need for low rent housing, which is also being lost from the private rental sector (Yates and Wulff, 2000; Wulff and Yates, 2001; Yates *et al.*, 2004). Prolonged waiting times for public housing are leading to identifiable downstream impacts, including more households 'trapped' in the private rental market and experiencing poor affordability (Wulff and Maher, 1998), and rising incidences of recurring homelessness and/or extended stays in the homelessness system that are linked to shortages of affordable housing options (Burke, 1998). There has also been growing recognition of the broader social and economic ramifications of segmentation in housing markets and one of its apparent consequences, locational disadvantage, which particularly is affecting community functioning and capacity in parts of our major cities and in stressed regional areas (Badcock, 1999; Randolph and Holloway, 2003). Finally, additions to supply in the low cost market in both the public and private sectors appear, from available evidence, to be very limited (Yates, 2001; AIHW, 2001).

In the face of deepening affordability problems in Australia, national housing policy remains narrowly focussed and the effectiveness of the existing regime is being questioned widely. As a result of both increases in the numbers of clients and higher payment levels, real increases in government housing expenditure over the last two decades have been directed to CRA (AIHW, 2003). However, the incidence of housing-related poverty among private renters has remained stubbornly high (King, 1997). The second area of spending growth has been on short term and transitional housing programs.¹⁸ In the housing assistance system, within a contracting funding envelope, any funding earmarked for additional assistance (rather than for maintaining existing service levels) is being directed by SHAs away from high cost additions to supply to more immediate forms of relief – such as additional subsidies for private housing, rental brokerage, and guarantee schemes and relocation programs. In effect this represents a move away from achieving growth in longer term affordable and secure housing services, toward expanding short term and crisis assistance measures and propping up the private rental sector.

As the economic and social consequences of the long term decline in housing affordability in Australia become more apparent, the research community, welfare agencies, community housing providers, the housing industry and the wider business sector, often working in partnership, have become more forceful; calling for new policies and greater commitment from government at all levels to address housing affordability problems (see for example, Cardew *et al.*, 2000; Harding and Szukalska 2000; AHNRC, 2001; ACG, 2003). Recognising that public expenditure on housing is likely to remain severely constrained, the proposal that is consistently being put involves shifting the national housing policy and funding regime to one based on leveraging more private investment into affordable housing supply, supported by government incentives and subsidies.¹⁹ A plethora of research studies (Hall *et al.*, 2001; Wood, 2001; Berry 2002; McNelis *et al.*, 2002, Joye *et al.*, 2003; Berry 2003 and Berry *et al.*, forthcoming) have considered in detail the key financing mechanisms that could be adopted to secure significant private investment in one or more of a range of affordable housing options – including shared equity, private rental, affordable rental and community housing. This study complements that research by focussing on the currently-operating non government delivery models for developing affordable housing (Chapter 4), and on what their operations suggest will be necessary components of a successful, large scale shift to new forms of finance and delivery of affordable housing (Chapter 5).

¹⁸ Between 1984/85 and 1996/97, national funding for support of homeless persons (not including capital funding for crisis housing) increased by an average of 20 per cent per annum, nominally, albeit from a low initial base (Burke, 1998; Milligan, 2003)

¹⁹ Another affordability-related issue identified consistently by the welfare and research sectors and, more recently, the Reserve Bank (but not generally acknowledged by the business community) is the severe inequity inherent in the present tax regime for housing investment and the need for fundamental tax reform, if the adverse impacts of present fiscal settings (e.g. negative gearing and capital gains tax concessions/exemptions) on house price inflation and housing wealth distribution are to be overcome. (ACOSS, 2003; RBA, 2003; Yates, 2003)

Before considering the main research questions, however, the remainder of this chapter provides an overview of the present policy frameworks related to the procurement of affordable housing. Section 2.7 looks at recent housing policy developments across Australia. Section 2.8 describes ways in which the planning system and planning tools are being used. The final section compares the local housing and planning policy frameworks and trends with key policy settings and trends in similarly developed countries overseas.

2.7 The emerging housing policy and program framework for affordable housing provision

There are now consistent signs of a turning point in the policy of Australian governments around affordable housing. Several early initiatives, which may be a forerunner to developments on a larger scale, have been announced and/or commenced recently²⁰. The main housing policy initiatives emerging across jurisdictions are set out below, followed by an overview of some directions being pursued through the planning system. As will be indicated later in the report, some of the alternative affordable housing delivery arrangements in Australia have resulted directly from these new policy settings. Others have had their genesis in earlier policy approaches, already described, or have arisen opportunistically or through local action.

In Victoria in 2000/01, a new three year \$94.5 million state funded joint venture program, the Social Housing Innovations Project (SHIP), was launched to identify and develop innovative housing models and to increase the participation in housing provision of equity joint venture partners – such as local government, churches and charitable foundations, and not for profit organisations. Over 800 new housing units have been approved under this program, mostly in small projects spread all across Victoria. A second three-year tranche of funding (2003/04 to 2005/06) of \$70 million was announced in 2003, linked to a new affordable housing strategy in Victoria. The Strategy aims to build on the success of SHIP in leveraging additional resources into housing, by pre-allocating growth funding to four Housing Associations that are equipped to take on a greater role in raising private finance and managing new developments in partnership with other players.²¹ It is also envisaged that increased investment in training and professional development for staff and directors of Housing Associations, and a new regulatory framework, will be applied on a staged basis to all community and affordable housing providers. Data on the Victorian providers included in Chapter 4 highlights the impacts of SHIP in Victoria, while the analysis in Chapter 5 points to several reasons behind the move to consolidate growth under the program around selected providers.

²⁰ Some material in this section has been included in AHI (2004)

²¹ A consultation paper outlining the proposed approach as developed so far is at <http://hnb.dhs.vic.gov.au/OOH/Web/inddevSite.nsf/doclookup/consultation?opendocument>

In 2001, the Queensland Government released the Affordable Housing in Sustainable Communities Strategic Action Plan, as a forerunner to the establishment of the Brisbane Housing Company, discussed in detail Chapter 4 (DOH (QLD), 2001). The action plan is geared to fostering more partnerships between government, non government and private sector players in the development of affordable housing in Queensland. Under the plan, the state government has allocated \$50 million to the Brisbane Housing Company to increase supply in inner areas of Brisbane. However, in other Queensland regions, only small-scale projects not reliant on additional government funding have been considered to date. Importantly in terms of future potential, Queensland has also developed a legislatively based regulatory regime (Housing Act, 2003) that provides the starting point for more extensive regulation of non government housing providers.

In NSW, recent policy development on affordable housing has centred around a 1998 Ministerial Task Force on Affordable Housing, which made wide-ranging recommendations on how to increase the supply of affordable housing in NSW (MTFAH, 1998). Following the Report of the Taskforce, the NSW Government established an Affordable Housing Service in 1998/99 (renamed the Centre for Affordable Housing in 2003) to help broker new affordable housing financing and delivery models and projects, and provided \$10 million in seed funding for innovative demonstration projects. Assistance to date has been provided for 18 units of housing. This low output can be attributed to proposals not being feasible without greater government subsidy than was available and, in the absence of a developed policy framework, difficulties experienced within government in establishing the grounds for project approval (Shelter (NSW), 2004).

In 2000, to overcome a successful legal challenge by a developer to the application of developer contributions to the provision of affordable housing in an inner Sydney municipality (and pending a state planning policy to guide the application of planning powers to the supply of affordable housing recommended by the Taskforce), the NSW Government was forced to amend the Environmental Planning and Assessment Act (1979).²² The amendments included a new objective for “the provision and maintenance of affordable housing” and the power to provide for environmental planning instruments to make provision for “providing maintaining and retaining, and regulating any matter relating to affordable housing” (Environmental Planning and Assessment Amendment (Affordable Housing) Act, 2000, s.5(a) (viii) and s.26 (1)(d)).²³ However, the foreshadowed state planning policy on affordable housing has not been released and the Government has restricted the application of the new powers to planning schemes already in existence (see Section 2.8 for further information).

In another development, the NSW Government announced in April 2004, as part of a set of major changes to its property tax regime, a doubling (from \$250,000 to \$500,000) of the minimum threshold property price at which stamp duty becomes

²² Shelter (NSW), 2004 provides a summary of the limited progress that has been made on implementing the recommendations of the 1998 Taskforce.

²³ See footnote 6 (Chapter 1) for definition under the Act.

payable by first home buyers.²⁴ However, there have been no significant initiatives to directly support the *supply* of more affordable rental housing in NSW since City West Housing was established in 1994 (see Chapter 4).

The ACT Government has also convened a task force on affordable housing with representatives from the community, business and financial sectors and government. Their report (ACTAHT, 2002) included 46 recommendations for action that were wide-ranging in scope, but generally not costed. To improve housing affordability for lower income households in the ACT, they focused on an increase in supply through leveraging additional resources from private sector and community sector partnerships. They also pointed to greater use of planning mechanisms, such as levies on development, to acquire affordable housing. The Government's response to the Task Force report was broadly favourable but key policy changes, such as the use of planning levers, are 'subject to further investigation'. In December 2003, the Government announced an injection of \$33.2 million for additional social housing (to be sourced from the Government's home loan portfolio). A restructure of an existing government founded agency, Community Housing Canberra (CHC), was also proposed to give the Government the option of using this vehicle as the development arm of the community-housing sector in Canberra (see Chapter 4).

In December 2003, Tasmania announced the framework for a new Affordable Housing Strategy 2004-2008. The centrepiece of the strategy is an extra \$45 million being allocated by the Tasmanian Government from stamp duty revenue to provide additional assistance to low income households across all tenures. Two thirds of the extra funding is reserved for new housing supply, and it is expected that much of this will be directed through (yet to be identified) non-government delivery vehicles (Tasmanian Government, 2003). On a per capita basis, the allocation of funds for the supply of more social and affordable housing by the Tasmanian and the ACT Governments are the largest so far in Australia.

In Western Australia, a wide-ranging strategy on housing has been under development over the last two years (www.dhw.wa.gov.au). When released, the new strategy is expected to encompass changes to the planning system in WA to support more affordable housing provision, and to promote alternative funding sources and delivery models for affordable housing. Whether government expenditure will be available to make such initiatives feasible is not clear. In a prelude to the Strategy, WA has released a 2003-2008 strategic plan for community housing, which sets a growth target of 40 per cent for that sector. This is to be funded from CSHA, non government and/or local government contributions, and possibly other government sources (e.g., surplus land) that are not yet secured. Much of the growth is intended to be directed to larger 'key' providers – that is, regional Housing Associations or preferred providers to be determined following a consultative process (DHW, 2003).

24 This will provide a saving of between about \$7,000 and \$18,000 to a first home buyer in NSW compared to the previous policy, depending in the price of the property purchased. <http://www.osr.nsw.gov.au/pls/portal/docs/page/downloads/other/firsthplus.pdf>, viewed April 24th, 2003.

South Australia is in the final stages of obtaining government approval for a new State Housing Strategy, which is expected to foster a broader range of approaches to developing and funding affordable housing supply than in the past. In the lead-up to the Strategy, the South Australian Housing Trust has issued a call for expressions of interest on how a development company could be set up to develop affordable housing in inner Adelaide through partnerships with the private sector or local governments.

The recent focus of the Australian Government on affordable housing has been on the deteriorating affordability situation of first home buyers. In September 2002, the Prime Minister appointed a Task Force on Home Ownership to study the feasibility of an innovative shared-equity scheme involving private investors and other options. Since the research report was released in June last year, however, nothing more has been officially heard of these proposals (Joye *et al.*, 2003)²⁵. In 2003, in response to a marked decline in first home buyers in the housing market, the Australian Treasurer asked the Productivity Commission (PC or the Commission) to inquire into the affordability and availability of housing for families and individuals wishing to purchase their first home. The draft report of the Commission has “suggested a number of initiatives aimed at reducing excessive demand pressure and making housing supply more responsive. These include improvements to taxes and charges, land release policies and planning approval processes. The Commission also sees benefits in greater targeting of assistance to first home buyers” (PC, 2003b). The final report of the Productivity Commission and the Government’s response are expected later in 2004.

Finally, the Commonwealth, State and Territory Governments have now committed themselves ‘in principle’ in the latest Commonwealth State Housing Agreement (CSHA or the Agreement) (2003-2008) in order to “promote a national, strategic, integrated and long term vision for affordable housing in Australia through a comprehensive approach by all levels of government” (COA, 2003). The Agreement also has a performance requirement that States attract investment from non-government sources for the provision of affordable housing. However, affordable housing is not defined in the Agreement and no additional resources have been identified. Subsequent to the new agreement, the Australian Housing Ministers Council has established a national Affordable Housing Project which aims to look at ways of using policy levers, funding partners and new delivery models to achieve an increase in the supply of affordable housing across Australia, consistent with the principle set out in that Agreement. No documentation of this project has been released, however.

The recent history described above demonstrates the high level of activity across Australia that is being directed toward finding new ways to finance and deliver alternative approaches to procuring affordable housing. As this study will show in more detail (see also Berry, 2003), however, whether possible approaches can

25 The proposals developed under the auspices of the Prime Ministerial Task Force on Home Ownership are described and evaluated in Berry *et al.*, forthcoming.

deliver any volume of new supply in future will depend critically on whether the factors that have inhibiting expansion to date are overcome. Those factors include especially the lack of start up capital from governments for housing development; the absence of a mechanism to raise and allocate larger volumes of private finance; and questions about whether the existing non government delivery system can assume more responsibility for developing housing. The latter question is the main policy-related interest of this research.

2.8 The role of the planning system in the provision of affordable housing

The land use planning system has a fundamental impact on the supply of affordable housing through the housing market. Urban planning decisions impact the availability of residential land, the preservation of existing sources of low cost accommodation, the design and configuration of new housing, and timing and costs associated with the development process. It is therefore important to ensure that affordable housing considerations figure prominently at each stage of the planning process. In addition, the planning system can be used to promote and procure affordable housing through a mix of regulations and incentives. These could include mandating affordable housing in some (or all) locations or developments; protecting existing supplies of affordable housing; and, introducing measures to finance new social housing supply through the planning process. However, the extent to which a planning authority can apply these more proactive measures depends on the powers allocated to them under planning legislation, as well as political willingness to pursue a progressive housing agenda.

2.8.1 State planning initiatives

In Australia, responsibility for urban planning policy and legislation rests with the States and Territories, although most of the detailed local planning and development control has been delegated to local government. The extent to which local government can use these functions to promote affordable housing is dictated by State planning legislation. State planning legislation dictates the range of matters that can be dealt with in a local planning instrument; for instance, whether a plan can address social objectives such as the retention and promotion of affordable housing. State legislation also sets broad parameters concerning the range of matters that must be considered when a development proposal is assessed – for example, whether a planning authority must consider social impacts of a development such as its impact on the availability of affordable housing. The extent to which local authorities can require developers to make a financial contribution as a condition of development approval (e.g., to provide for affordable housing) is also regulated by State legislation.

Unfortunately, State planning legislation in Australia to date has provided little support for local councils willing to adopt a proactive stance in relation to affordable housing. Rather, such councils have been forced to use available powers creatively in the absence of any direct legislative or policy guidance at the state level. For example, planning legislation in Queensland (the Integrated Planning Act (1997))

and Victoria (the Planning and Environment Act (1987) allows authorities to enter into agreements with developers over payments to finance community infrastructure. On occasion this provision has been used by Brisbane City and the City of Port Phillip councils to obtain developer contributions toward the provision of affordable housing (Gurran 2003a, 2003b). However, the provisions operate as a very weak mechanism for affordable housing supply as agreements are voluntary and negotiated on a case-by-case basis.

In some States, planning authorities may (or, in the case of NSW, are directed to) consider the social impacts of developments, which some councils have successfully interpreted as including impacts associated with affordable housing. Again, such provisions, while important, are too general to ensure that affordable housing consistently becomes a material consideration in planning decisions.

In NSW, as discussed above, the overall objectives of the Environmental Planning and Assessment Act (1979) were recently amended to include a commitment to the promotion and retention of affordable housing. The Act was also amended to clarify that local instruments may contain measures for “providing, maintaining and retaining, and regulating any matter relating to, affordable housing” (s 26(d)). In addition, the Act now makes specific provision for development conditions requiring contributions or land for affordable housing (ss 94(f)(g)), although to use these provisions a consent authority must first have a local plan containing affordable housing provisions approved by the Minister and supported by an amendment to *State Environmental Planning Policy – Affordable Housing (SEPP 70)*. In late 2003 a Bill was submitted to Parliament to enable planning authorities to enter into developer agreements of the type permitted in Queensland and Victoria (the Environmental Planning and Assessment Amendment (Planning Agreements) Bill 2003). If passed, this would provide another avenue for local councils to secure developer contributions for affordable housing. However, as in the other states, the agreements would be voluntary and negotiated on a case-by-case basis rather than consistently and transparently applied under a dedicated planning instrument.

Over the past two decades, the NSW State Government has also introduced several State Environmental Planning Policies (SEPPs), to retain and promote a variety of affordable housing types. These include SEPPs 5 and 9, which have contributed to the stock of privately supplied accommodation options for the aged and those with special needs, and State Environmental Planning Policy 10 – Retention of Low-Cost Rental Accommodation – which aims to protect existing supplies of affordable housing by requiring State government concurrence for the demolition, alteration or change the use of a boarding house or strata-subdivide a low cost residential flat building or boarding house (Greenhalgh *et al.*, 2004).

It may not always be necessary to amend State legislation to promote affordable housing through the planning system. Strong policy guidance through metropolitan strategies, for example, could provide the support councils need to incorporate general affordable housing considerations in their own plans and during development assessment. As an example, the recently completed metropolitan

strategy for Melbourne, *Melbourne 2030; Planning for Sustainable Growth* (DOI, 2002), has several references to affordable housing principles and actions. However, it is too soon to assess the impacts of that approach.

In NSW, there is potential to incorporate a range of affordable housing objectives and strategies in the metropolitan planning process for Sydney that is being conducted throughout 2004. Similarly, in Western Australia as already discussed, there is an active policy development process around the link between state housing and planning policies.

2.8.2 Local government initiatives

As discussed later in this report, a number of local councils in Australia have themselves been proactive in using their planning powers to protect and promote affordable housing. Several councils have amended their local planning instruments to include objectives relating to affordable housing, reinforced by decision making criteria requiring a consent authority to consider affordable housing issues when assessing a development (see for example, the local plans of Marrickville Council in NSW, and Port Phillip and Moreland Councils in Victoria). Some councils in outer metropolitan areas have reduced minimum lot sizes for residential dwellings to achieve urban consolidation objectives, but also to reduce land and infrastructure costs – although many of these savings are consumed by the strong demand for new housing. Similarly, promoting urban consolidation by rezoning land for higher density residential development is often associated with claims about improving housing affordability since a greater diversity of housing types, including smaller (and, by implication, lower cost) dwelling units are generated. (Yates (2001) provides evidence of the extent to which these claims were borne out in Sydney and Melbourne in the 1990s.) Conversely however, “upzoning” land for more intense uses also makes land values much higher, and the ongoing maintenance costs associated with boutique residential flat developments are likely to be prohibitive for those on low and moderate incomes.

In inner and middle ring areas, some councils have implemented mixed use zones, including provisions for housing in commercial and industrial areas, as a way of preserving affordable entry points to the housing market – Moreland Council in Victoria provides a good example of this approach.

Legal provisions to levy funds from developers for affordable housing have been adopted by several councils in high value areas of Sydney. Waverley Council was the first to introduce a “density bonus” for developers in return for monetary contributions to finance affordable housing; North Sydney Council levies compulsory fees on all residential development to replace the loss of low cost housing, while Willoughby Council requires a proportion of total floor space of new dwellings to be dedicated for affordable housing (Gurran 2003b, p.403). The former South Sydney Council also applies an inclusionary zoning approach to all development within the former industrial area of Green Square, where three per cent of the total floor area of all residential development, and one per cent of non residential development, must be provided to Council as an affordable housing contribution.

One of the main barriers to achieving affordable housing through the housing market is the application of restrictive residential development controls and housing standards. While this has been identified as an issue in Australia (in particular, see the 1991/92 National Housing Strategy), little research has been undertaken here to determine the extent to which current development standards act to exclude lower income groups from the housing market. In contrast, significant work has been carried out in the United States to demonstrate the impact of restrictive development controls (described as “exclusionary” zoning), and to begin to dismantle them from local plans (Katz and Turner 2003, discussed further below).

It is also argued that delays in the assessment process add unnecessary costs to the final development, making new housing less affordable for purchase. While there may be some gains to be made by “streamlining” the development approval process, it is important to recognise that provisions to promote and protect affordable housing opportunities depend on careful, and in some cases, time consuming, development assessment.

2.9 Comparison with international trends

This section provides a brief comparison of trends in policies related to the investment in and delivery of affordable housing in selected overseas countries. The intent of making such a comparison is not to suggest that approaches in other places are appropriate or would necessarily be effective in Australia but, in the light of the analysis of the local operating environment to be presented later in the report, to provide another evidence base from which conclusions can be made about an appropriate policy and delivery framework.

While systems of housing provision and the balance between the level of market and subsidised housing in particular differ widely, shortages of affordable housing for low and moderate-income households characterise the contemporary policy debate in most developed countries. Factors in common across many countries and regions that are contributing to this situation include: a decline in the existing supply of low cost housing resulting from gentrification, privatisation of social housing, and long term reductions in the level of new investment in social housing by governments; rising costs of new provision leading to a situation where cost rents, pooled across the providers portfolio, are becoming less affordable (for the level of subsidies available to low income households or to their service providers); and continuing high need for affordable housing linked to economic restructuring, income and tenure polarisation and house price inflation. There are both important similarities and differences to note in the way that individual countries are responding to their shared problems with housing affordability. Set out below are some of the common themes that can be identified from examining how investment in social and affordable housing is being approached across developed countries, noting, however, that the volume of investment may still differ markedly between countries with similar approaches.

2.9.1 An expanding role for non-government housing providers

Beginning in the 1970s there has been a general shift towards using non government housing providers – including not for profit housing associations or corporations, housing cooperatives, municipal housing companies and regulated private providers – in preference to government authorities for developing, owning and managing the social and affordable housing supply. The reasons given for this shift vary across countries but generally include dissatisfaction with monolithic and inefficient models of provision (such as large volume, local authority providers with poor accountability in several countries) and the broader public policy objective to reduce public sector debt and risk. Box 2.9.1 gives an overview of the extent and nature of this trend. The overview shows that Australia, along with New Zealand, has one of the least developed alternative delivery systems. Another general point directly relevant to this study is that in most countries, a range of non government delivery models are operating.

Box 2.9.1: International arrangements for the delivery of social and affordable housing by non-government agencies, 1990s

<p>England and Wales</p>	<p>About 20% of social housing is now delivered through Housing Associations (HAs). Municipalities manage the other 80%, increasingly using arms length managing organisations (ALMOs) where the municipality is the sole shareholder. The role of HAs and ALMOs is expanding, particularly through large-scale transfers of stock from the municipal sector. HAs are regulated by the Housing Corporation, a special purpose statutory agency established in 1964 to oversee the association sector. ALMOs are governed by service agreements with the controlling municipality and municipalities themselves are regulated by the Audit Commission, which has recently taken a greater part in auditing the services of HAs, in conjunction with the Housing Corporation.</p>
<p>Scotland</p>	<p>Local authority housing in Scotland is gradually being transferred to newly created not for profit providers. In Glasgow, which has led the way, the city government has transferred over 80,000 properties to the Glasgow Housing Association for a ten year period, after which devolution of ownership is envisaged. Management is contracted out to a network of (mostly) newly established local housing organisations, with a majority of tenants on their Board. Both local authorities and NGOs are now regulated by Communities Scotland to ensure social housing across all providers is delivered 'efficiently, effectively and in harmony with community expectations'.</p>
<p>Northern Ireland</p>	<p>Registered housing associations now own and manage about 16% of the long term social housing stock, with most of the rest owned by the dominant provider, The Northern Ireland Housing Executive. Traditionally, housing associations in NI were small and specialised like in Australia. Recently, decisions have been taken to give them a more mainstream role and they are building all new social housing. Strict regulatory conditions apply. Unlike elsewhere in the UK, stock transfers to the sector have only been small scale so far.</p>
<p>Netherlands</p>	<p>Over 90% of social housing is delivered by over 700 Housing Associations; much of this stock was transferred by municipalities from the 1970s. HAs are private non profit organisations set up to develop and manage housing. They operate at local, regional and national levels. Some are member based with elected Boards. Increasingly, however, most HAs are foundations with expert boards. They are registered under national legislation and their performance is governed through statutory regulations.</p>
<p>Sweden</p>	<p>Social housing in Sweden is run by municipally controlled housing associations. Traditionally Boards reflected local political power groups, increasingly professional appointments are being made. Social housing represents 22% of all housing and is available to all income groups. There is also a large sector of cooperatively owned housing (16%).</p>
<p>France</p>	<p>A complex institutional structure applies. Public and privately controlled not for profit housing associations control over 85% of the social sector (which in turn is about 16% of all housing). Responsibility is increasingly shifting to privately controlled organisations. About 10% of the sector is run by private joint venture organisations relying on a higher component of private financing and targeting households whose income is too high for the heavily subsidised part of the social sector. Regulation is mostly at the municipal level. Most influence over the sector is exerted through the allocation of subsidies.</p>

Denmark	Housing Associations manage most of the sizable non-profit rental sector, which comprises 21% of all dwellings. There are two kinds of organisations: about half are shareholder organisations, controlled by tenants; the other half is organisations where the majority of Board positions are reserved for directors appointed by the municipality. Municipalities regulate the shareholder organisations but do not participate in their Boards of management.
Belgium	Accredited public companies are responsible for constructing and managing housing in the small social rental sector (6% of the total stock). Both government and private shareholders are represented on the Boards of these companies.
Germany	Social housing in the former West Germany is delivered by both private and not for profit landlords. Private landlords may be institutions or individuals who receive tax concessions in return for accepting low income households and charging regulated social rents. Both housing cooperatives (private organisations backed by churches, trade unions and charities and with significant tenant involvement) and limited liability housing companies (controlled by municipalities, trade unions or national employers) operate in the not for profit sector. The cooperatives have about a 30% share of the stock in the sector. The plethora of delivery models in Germany has led to diverse supervisory arrangements. There is no overarching regulatory framework and most influence over the sector is still exerted through funding arrangements. Since unification, the former East German state housing agencies have been transformed into not for profit housing associations and cooperatives, joint stock companies and public limited companies.
Eire	Government support for housing associations and rental cooperatives in the Republic of Ireland did not develop until the mid 1980s but their growth has been quite rapid, especially since policy changes in the 1990s. The sector tripled in size over the last decade, receiving up to 30% of all new growth, with the remainder going to local authorities. NGOs now control about 10% of the social housing sector. They are still largely publicly funded and regulation is based more around schemes than organisations.
United States	About 3060 local housing authorities control traditional public housing, about 2% of all housing. Since the 1960s, the federal government has subsidised privately owned developments restricted to low and moderate-income households. Increasingly, since the 1980s, not for profit agencies (such as churches, unions, local service organisations), community development corporations and tenant cooperatives have been responsible for most of the affordable housing constructed or rehabilitated (about 320,000 units across 2000 agencies up until the mid 1990s), drawing on low income housing tax credits, housing vouchers and other subsidy programs.
Canada	As in the United States, not for profit housing providers have been the main recipients of funding for new affordable housing since the early 1990s. As well in several provinces, responsibility for service delivery for existing social housing is being devolved from provincial corporations to the local level. In Ontario, a series of local housing corporations under the auspices of local government have been created for this purpose.
New Zealand	Housing New Zealand Corporation controls over 80% of the sector (5.6% of the total housing supply) with local government holding most of the remaining social stock.

Sources: Boelhouwer, 1997; Bratt, 2003; Dreier & Atlas, 1995; Mullins *et al.*, 2003; and DOH (NSW), 2003b.

2.9.2 *Private financing of housing construction for social purposes*

The introduction of private financing of the social rental housing supply began in the 1980s in Europe, the US and the UK, reaching a substantial volume by the 1990s. (See Boelhouwer, 1997; Stegman, 1999; Berry *et al.*, forthcoming, for an overview of the role of private financing mechanisms in Western Europe, US and UK respectively.) As the take-off of private financing and service devolution has gathered momentum abroad, non government providers have acquired significant expertise in sourcing private finance, identifying and managing financial and development risk, and restructuring their housing businesses to encompass a range of more entrepreneurial and commercial practices.

Central governments have also played a key role in assisting this transition, especially through three types of activities:

- Funded programs directed to capacity building in the not for profit sector. Typical strategies have included extensive training and skills development programs for staff and Boards of non government providers, placement of experts in provider agencies (especially in the first phase of expansion), restructure funds to rebuild an organisation and strengthen its governance, and investment in technology and infrastructure;
- Active engagement of government agencies and non government peak bodies and key providers with the private finance sector. The extent and type of government engagement varies. Core government roles include making legislation requiring dedicated investment from the financial sector in social housing and related community benefit (US, Denmark), the provision of government guarantees for lending to approved providers (the Netherlands), allowing lenders first call on of assets (hence subordinating government's financial interest) (UK), the use of special purpose fund raising vehicles (UK, Germany) and education and marketing programs aimed at developing a competitive financial market for social housing investment (UK) (Larkin and Lawson, 1998);
- Linked to arms length financing and development arrangements, there has been a rapid evolution of increasingly powerful regulatory and supervisory regimes that, compared to those operating to date in Australia, more clearly set governments' expectations of providers, focus on risk management, provide the power for intervention and sanctions and monitor performance related to governance, financial provisions and service standards and outcomes (see Kennedy, 2001.) Importantly, it has been the strength of the regulatory regime in the UK, as one example, that has helped to build and retain lenders' confidence in the affordable housing sector (Berry *et al.*, forthcoming).

2.9.3 *Subsidy regimes*

A complex mix of demand side and supply side subsidies has underwritten the success of private financing overseas. On the supply side, in particular, the shift to private financing has not meant the end of public subsidies for housing supply. Rather, the greater availability of private financing enabled the state to withdraw from providing budget financed loans and to use other mechanisms to ensure that the housing was produced at a below market cost and that these savings were passed on to consumers. Subsidy mechanisms for new housing supply that have been used (and remain in use) include concessional tax arrangements for developers (US, Germany); substantial front end capital grants that reduce the cost of borrowings (UK); residual land pricing²⁶ and government guarantees for borrowing by both housing associations and individual home buyers (the Netherlands); and a mix of tax and interest rate concessions and capital funding (France). The differences between national housing systems makes it difficult to compare the relative efficiency of these alternative measures, which depend in part on the particular market and institutional contexts in which they operate. Nevertheless, it is notable that substantial budget or tax outlays to induce private financing while simultaneously keeping rents affordable and, importantly, reducing pressure on government outlays for housing allowances have been involved in each case. Put differently, private financing has allowed for diversification away from an over-reliance on budget outlays and public debt but public subsidy is still significant. (Boelhouver, 1997; Larkin and Lawson, 1998; Housing Studies, 1997 special issue; Urban Studies, 2002 special issue)

On the demand side, continental European and UK housing regimes in particular have developed over the last three decades to include a comprehensive housing allowance system for low-income social and private renters. In the United States a system of rent vouchers is used: recipients receive vouchers for the difference between their capacity to pay (based on 30 per cent of their income) and the local median rent for housing appropriate to their household type. However, unlike in Europe, vouchers are heavily rationed, providing assistance to around one-fifth of those identified in need (Dreier and Atlas, 1995). The way that housing allowances/voucher systems are designed generally means that households who cannot afford the cost of housing, even in the social sector where prices (set in relation to costs) are generally below market rents, can obtain affordable housing, as defined by the local standard.²⁷ The widespread use of an affordability-linked housing benefit system that applies across social and private rental housing systems is one key difference to present policy settings for CRA in Australia (see Section 2.4), which has a number of important implications for the development and subsidisation of the not for profit sector, as discussed later in the report.

²⁶ Land for social housing is priced at a discount which is the amount that will be 'affordable' to non profit providers so that their operating costs and rent revenue (from 'affordable' rents) are matched.

²⁷ Affordability benchmarks vary widely but they have been rising generally and range between around 17% and 30% of household income net of any subsidies (Van der Heijden and Haffner, 2000).

An indirect support mechanism – asset transfers – has also underpinned the move to non-government provision and private financing of affordable housing in parts of Europe and the UK. The objectives of programs that transfer social housing from the public sector to not for profit providers differ over time and by place; the conditions of sale (e.g., the amount of discount) reflect the local purpose of the transfer program. One general outcome, however, has been a boost in scale for the recipient agency and an improvement in their revenue and asset base. This in turn assists the agency to raise finance, which can then be applied to stock refurbishment or growth or a combination, depending on the agency's strategic purpose (Berry *et al.*, forthcoming).

2.9.4 Diversified housing options

When private financing arrangements were first introduced internationally, the main purpose was to provide social housing using off-budget financing mechanisms. In recent years, however, the range of affordable housing products being provided through non government providers and the target groups for new housing options has been expanding. Table 2.9.4 shows the main types of affordable housing and their financing, delivery and pricing arrangements that are currently on offer in the UK.

Table 2.9.4: Affordable housing products, United Kingdom

Product type	Delivery organisations	Target groups	Financing arrangement	Affordability
Social housing for rent	Housing associations; local authorities, ALMOs	Mainly low income households; middle income households in areas of low demand for social housing	New stock financed through a mix of capital grant and loans through housing associations Subsidy through planning gain may supplement/substitute for capital grant	Rents based on a formula taking into account bedroom size, capital value of property and regional average incomes; formula rents to be applied in full by 2010
Shared ownership	Housing associations	Middle income households unable to access the market as first time buyers Special schemes targeted at key workers	Mix of capital grant, loan through housing associations, and household contribution (minimum 25%, usually financed by a mortgage) Subsidy through planning gain may supplement/substitute for capital grant	Share to be purchased calculated such that total mortgage payment plus rent does not exceed 30% of household income
Homebuy scheme	Housing associations	Middle income households unable to access the market as first time buyers Special scheme targeted at key workers	10%-15% interest free loan, subject to limits on house size and value	Normal mortgage multipliers apply to commercial loan
Sub market sales	Private developers, sometimes in association with a housing association	Middle income households unable to access the market as first time buyers	Planning gain subsidy	Properties sold at around 80% of open market value; this benefit is maintained in perpetuity in subsequent sales
Sub market rental	Housing associations; occasionally private developers	Middle income people wishing to rent in high demand areas, where they are unable to access social rental	Housing associations borrow at competitive rates to develop the schemes; rents set to cover running costs and debt repayment over 30 years. Shortfalls in the early years met from housing association reserves	Rents typically set at around 80% of market rents

Source: compiled by Andrew Larkin for this study.

The most important driver of diversification has been sustained increases in house prices and the consequential difficulty being experienced by low *and* moderate income households in the unsubsidised housing market. A second driver has been government objectives to increase forms of home ownership for lower income households where, unlike Australia, historic levels of home ownership among that group have been relatively low. As Table 2.9.4 illustrates for the UK, the trend to diversification has resulted in a continuum of housing assistance options becoming available: options targeted to different market segments (for example, key workers, first home buyers, etc.), with different eligibility, financing and subsidy arrangements. One factor behind new directions in Australia that is less significant elsewhere is the emphasis on income mix to improve financial sustainability (see for example the case of City West Housing in Chapter 4). This distinction arises partly from a variation in the way rent assistance is structured in Australia, compared to international housing benefit schemes. Under cost rent setting models underpinned by housing benefit payments to lower income households, providers do *not* receive additional income from housing higher income households. Internationally, therefore, income mix is being used to address perceived gaps in the market, such as for key workers (especially in the UK) or to improve resident mix in large housing projects or estates (a US trend).²⁸

2.9.5 Use of planning mechanisms

The following examples illustrate a range of international approaches to the use of planning mechanisms in support of affordable housing.

In England, the community's need for affordable housing has been a material consideration in planning decisions since 1992 and planning gain can be hypothecated for affordable housing projects (Whitehead and Crook, 2002). Under the Planning Policy Guidance, local authority development plans must include affordable housing policies, where a shortage of affordable housing is established. Such policies set out the overall proportion of affordable housing to be sought over the plan period (currently for the period to 2016) and the application of affordable housing requirements to particular types of sites and locations within the area. Local authorities then issue Supplementary Planning Guidance, detailing the type and size of affordable housing for different sites, liaison arrangements with housing associations and affordability levels for different products (for example, social rental housing, shared home ownership or housing for sale at below market prices).

The evidence from England, while limited so far, suggests that the planning policy framework has assisted with the development of affordable housing in mixed tenure developments generally. Whitehead and Crook (2002) note that, once introduced, the requirement for developer contributions has gained acceptance quite rapidly, although they also say that the policy approach does appear to have created additional complexity and, therefore, administrative cost. Whitehead *et al.* (2002) consider that planning policy action has only made a small contribution to the total

²⁸ Note that many parts of the Europe, such as the Netherlands and the Scandinavian countries have long established social mix policies operating in their social housing sectors.

need for affordable housing, with the best estimates showing that about 10 per cent of new housing is being provided in the affordable sector. However, importantly, the policy seems to have improved the location of affordable housing and assisted with the integration of market and affordable housing, particularly since it was strengthened in 2000 to encourage affordable housing requirements to be met directly on site, rather than off site or through a monetary contribution.

In the Netherlands, affordable housing provision has been accepted as an integral part of planning process since the 1960s. Municipalities have close associations with Housing Associations and they play a key brokerage role in ensuring sites are made available at appropriate prices for affordable housing.²⁹ Master plans for new development areas that are developed by municipalities identify target levels and locations of affordable housing, in consultation with local housing associations. Prices and development plans for these sites (including density levels and product mix) are then negotiated between the municipality, the housing associations and the land owner as appropriate, taking into account what the capacity of the housing associations is to pay for the site and still achieve an affordable housing outcome. In 1999, about 20 per cent of new housing completions were in the low rent/ price category (Milligan, 2003).

Today, the Netherlands retains a comparatively high proportion of social and affordable housing in its existing stock – 36 per cent of all housing was in social housing sector and about another 10 per cent was in the price regulated part of the home purchase sector in 1998³⁰. Prevailing planning and housing policies do not aim to increase the overall supply of affordable housing. Rather the focus is on integrating any new affordable housing supply into city development areas, while at the same time diversifying existing residential areas that are seen as having over concentrations of older or poorer quality social housing (Milligan, 2003).

In the United States, attempts to use the planning system to achieve affordable housing have focussed on three key approaches: removing restrictive local development controls that make residential areas inaccessible to low and moderate income groups; preserving sources of existing low cost accommodation through planning regulation and rent controls; as well as stimulating new supply through planning and related mechanisms.

The role of the planning system in excluding lower income households from certain areas has been documented extensively. In fact, the Department of Housing and Urban Development (HUD) recently established a database to assist planners identify regulatory policies likely to impact on the quality, price, location and supply of affordable housing (www.regbarriers.org, referred to in Katz and Turner 2003, p.67). Approaches to dismantle exclusionary development controls include reforms to

29 Many municipalities also have development companies that control a significant share of all land release, giving them direct control over the inclusion of affordable housing.

30 Note that the social housing sector in the Netherlands is characterised by a mix of income groups although this situation is changing quite rapidly under policy settings that are restricting net growth in that sector and encouraging home ownership for those who can afford it.

subdivision regulations, zoning requirements, and building codes; plus the adoption of regulations specifically designed to encourage affordable housing.

As well as Federal support for affordable housing initiatives, some States have been proactive in requiring local authorities to address affordable housing issues through their planning and development assessment activities. California requires local governments to develop plans and identify sites to accommodate affordable housing; the State of New Jersey has a mechanism to set targets for affordable housing that must be incorporated through local planning decisions; while in Oregon, authorities are required to show that their zoning permits a mix of housing types, and in Metropolitan Portland they must also include provisions for affordable housing.

These typically consist of inclusionary zoning provisions requiring a proportion of all new housing within designated areas to be affordable. Generally the affordable housing is financed as part of the development (either a proportion of new dwellings or an equivalent financial contribution) then transferred to the local authority. This is widely regarded as an effective way for local governments to generate new affordable housing supply without a heavy government subsidy (Katz and Turner 2003)³¹. In some cases the inclusionary zoning approach is combined with planning incentives such as “density bonuses” which help make the affordable housing contribution more viable for developers. Density bonuses have been used by municipalities in California, New Jersey and Maryland (Morris 2000). However, these mechanisms still depend on a relatively buoyant housing market and are less effective in areas where there are land shortages or where little new housing is being developed.

The American Planning Association (APA) has consistently advocated strategies for local governments to protect low cost housing such as rooming houses, and to stimulate new supply through inclusionary zoning measures, as well as through trust funds to finance low cost housing, and taxation mechanisms (White, 1992; Morris, 2000; Gurrán, 2003a). Concessions for affordable housing providers have also been granted to reduce the burden associated with infrastructure contributions. While these measures rely for implementation on appropriate local planning provisions, a regional approach to affordable housing is also imperative to capture the regional dimensions of the housing market (Katz and Turner 2003).

2.10 Concluding comments

This chapter establishes the policy and historical context within which new delivery arrangements for affordable housing in Australia (the subject of Chapter 4) have evolved. The overview shows that attempts to diversify the development and delivery of affordable housing in Australia are long standing, but have been of limited significance so far, for reasons well-documented in previous research. Nevertheless, the current environment of changing market conditions, a failing public housing sector, stronger advocacy from private and community interests concerned about housing affordability, and new government commitments in several jurisdictions may

³¹ Tax credits rather than capital funding tend to be used in the US to stimulate investment in affordable housing.

combine in a way that will force a major shift in practice. The comparison with international trends shows that affordable housing sectors are more mature and more diversified in similarly developed countries overseas, featuring a growing emphasis on large scale provision in the not for profit sector in partnership with central, regional and local governments and the private development and financial sectors, and also involving both planning and financing mechanisms dedicated to the supply of more affordable housing.

3 RESEARCH FRAMEWORK AND METHODOLOGY

Chapter 1 set out the aims of this study and key research questions being addressed. The second chapter provided an overview of the policy, institutional and housing market contexts within which innovative affordable housing delivery models are developing in Australia. This chapter provides details of the concepts and methods that have been used to describe and analyse the development and delivery models operating currently in the not for profit housing sector in Australia.

Two sets of factors are central to a not for profit affordable housing provider successfully developing their own housing. The first concerns their ability to procure housing stock and to sustain the operation of that stock for affordable housing delivery. The second set concerns the governance arrangements necessary to ensure proper management and accountability for a government supported service. Consideration of both these aspects of an affordable housing operation provides the basis for establishing a set of criteria on which to make an appraisal of the operations and performance of the models operating so far in Australia. Section 3.1 explains the approach taken in this study to documentation and analysis of the main agencies involved in affordable housing delivery, as presented in Chapter 4. Sections 3.2 and 3.3 establish the two sets of criteria that will be used in Chapter 5 to make an assessment of the performance of those affordable housing providers.

3.1 Information sources and methods of inquiry

As indicated in Chapter 1, there has been no systematic review or independent evaluation of the operations of not for profit developers of affordable housing in Australia. A necessary first step for this study thus has been to collect available documentation of the operations of organisations in this role.

Following initial selection of the organisations (in consultation with the user group established for the study), agreement was sought with each agency regarding their inclusion in the study, and primary documents were collected and analysed. Eleven organisations were approached but the final analysis has been confined to 7 existing agencies that are actively developing affordable rental housing and one that wound up recently (see Chapter 1).³²

The material collected about each agency covers:

- Organisation charter and governance arrangements including rules, constitution, Board appointments;
- Historical material relating to foundation, and past operations as relevant;
- Funding and service agreements with government;
- Accountability and performance requirements;

³² The partnership between the City of Port Phillip and the Port Phillip Housing Association is counted as one entity in this study.

- Core business operations including business risk management plans and financial modelling, policies and procedures, descriptions of products and services, strategic alliances/partnerships; tax rulings, etc;
- Annual reports;
- Service and financial performance data; and
- Any other documents of reviews and/or plans concerning the agency.

Because the organisations studied operate under different governance, program and accountability frameworks, and because they are developing housing at markedly different rates and scales, the information available is not always comparable directly. Interviews with responsible staff (see below) were used to supplement the written and published information available. A full list of primary documents obtained for each case and used in the study appears in the report References (see 'Primary Documents').

For the government established housing development companies (CWH, CHC, BHC and the City of Port Phillip program), government officials also provided key internal documents, as well as published material relating to the purpose and process for establishing the agency and records of modelling and decision making. Some individual project reviews or previous investigatory or evaluative studies relating to the agency as a whole or to key projects were also made available, sometimes on a confidential basis.

Following the document analysis, 41 structured interviews were conducted over the period September 2003 to March 2004 with members of and stakeholders connected to the 11 agencies originally surveyed. Appendix A contains a full list of interviews conducted.

For each agency in the study, interviews were sought with:

- Chief Executive Officers (CEO) and their development and financial staff, if any. Former CEOs were also interviewed in two cases;
- A sample of Board Directors chosen because of their professional interest in, and/or expertise in, housing development and/or innovative housing affordability models;
- Senior treasury, housing and local government officials who are responsible for the development and/or monitoring of government initiated agencies, and/or housing programs from where funding was being drawn;
- Other stakeholders: for example, representatives of peak bodies in the not for profit sector or project partners.

In addition to obtaining information to supplement and extend that which was available in the documents collected, the main purpose of each interview was to elicit the views of each respondent on the strengths/successes and limitations/areas for improvement arising from their experience with developing affordable housing in the organisation with which they are associated. Depending on their position in the

organisation and their particular experience and expertise, their views were specifically sought under the following key headings:

- The concept of affordable housing;
- Organisational model/capacity;
- Financial strategy/viability;
- Regulation and accountability framework;
- Risk assessment and management;
- Approach to and quality of service delivery;
- Relationship to state government;
- Relationship to local government;
- Relationship to the private sector;
- Community impacts;
- Future plans and perceived barriers to expansion or replication.

Other areas that were investigated in more depth with company staff and directors included:

- Project development and management;
- Experience with local government planning and development approval processes;
- Tenancy and property management policies, practices and issues;
- Financial and operational management;
- Tax arrangements;
- Organisation development and strategic directions.

Where individual projects were assessed, the focus was on:

- Procurement methods;
- Funding and development approval processes;
- Financing;
- Cost structures;
- Design, asset and tenancy management features; and
- Community acceptance and local impacts of completed projects.

Appendix B contains the schedule that formed the basis for each in-depth interview. Each interview was recorded, and additional information and the views of respondents related to each of the main areas of consideration (as above) were transcribed. As the study progressed, themes and issues that emerged over the span of the fieldwork were used in additional interviews with and follow-up questions to key respondents.

Prior to this study, as has been indicated above, public documentation and participant analysis of new models of affordable housing emerging in Australia have been quite limited. During this research all the agencies studied and government departments were very forthcoming, however. Several respondents indicated that the information they were providing had not been available previously outside their organisations. This supportive attitude to the study seems to reflect the strong interest in affordable housing models being shown across Australia at present and a desire among government officials and community players to build a local base of knowledge and experience that can be used to inform future directions, alongside the growing consideration now being given to approaches overseas.³³

One gap in the information record that has been revealed during this study is an absence of comprehensive and consistent performance information. The national framework for collection of performance data for the community housing sector in Australia (undertaken by the AIHW for the SCRCSSP) does not monitor financing and development activities and processes, and any collected data of relevance to this study is only available on an aggregate basis across what is becoming an increasingly differentiated sector. At a jurisdictional level, there appears generally to be no standardised information collection or reporting requirements for agencies operating outside of traditional community housing program frameworks, which have as their focus tenant and property management functions. The lack of performance data has placed a major limitation on the capacity of this study to compare the efficiency and effectiveness of the development function of the agencies examined. While it is not surprising that such a gap exists at this stage of the sector's development, it needs to be remedied sooner rather than later so that better data is available to inform future policy and program decisions.

3.2 Defining and analysing the housing development and management function

3.2.1 Stock acquisition

In order to generate a list of criteria suitable to assess stock acquisition processes, it is first important to understand the nature of the housing development process, and to understand something about the economies of scale that operate in the development process and the recurrent operations of an affordable housing provider.

The development process can be described as a number of steps (Cadman and Topping, 1995). These steps include:

³³ For example, the NSW Department of Housing has undertaken an extensive review housing financing, delivery and regulatory models in the United Kingdom and Canada.

- *Initiation*: A parcel of land (or site) is considered suitable for a different or more intensive use;
- *Evaluation*: An evaluation of the range of options considered feasible on the site;
- *Acquisition*: Based on a successful evaluation the decision is taken to acquire the site. Sometimes it may be purchased outright or alternatively an option might be taken out on the site;
- *Design and Costing*: The design of the development on the site is developed and costed;
- *Permission*: An application is made to the relevant statutory authority to develop the site as specified in the design;
- *Commitment*: After permission has been obtained and other issues have been resolved the developer commits to the project;
- *Implementation*: The project is built;
- *Let/Manage or Dispose*: The resultant development is either sold or leased, or a combination of the two.

One problem with this description is that it portrays the development process as an ordered process. In many situations, however, this is not the case. The development process can be quite “chaotic” where quick decisions are required, often based on incomplete information. The nature of the political process involved in permissions often means that outcomes are very uncertain, and quick changes in development strategy are needed. It is also an industry where cycles in economic activity can present a number of risks (as well as opportunities) for developers.

Risks in the development process

The development process is an activity involving considerable risk. Key risks for the developer include:

- *Planning risks*: Might not be able to undertake the development they would prefer on the site;
- *Financing risks*: The developer might get well into the project and then discover that s/he cannot finance the whole project and hence must withdraw;
- *Construction risks*: Construction costs may exceed original estimates due to the weather and/or unforeseen building problems;
- *Sales risks*: This is a particular problem for developers who are highly geared, i.e. they have borrowed a large proportion of the project costs. Their interest bills will be large, so soft sales will extend the period in which they will incur negative cash flows.

Sales risk is a particular concern for smaller developers who develop one project at a time. They need the revenue from sales to be able to repay loans and then move forward to the next project. These sorts of developers are highly risk averse, since they have their “career” tied up in the one project. Note that in the case of not for profit development, sales risks are much less of an issue; unless of course the developers are engaged in a project where they are using sales to subsidise retention of affordable housing stock.

Ingredients of a successful development process

Without wishing to provide a definitive list, the nature of the industry and its risks would suggest that a successful developer would have:

- Experience and skill in negotiating with a variety of agencies/actors – all with very different goals – against the backdrop of a planning system that is complicated and often very different between local government areas, yet alone States;
- A good relationship with financiers based on a successful track record in development;
- The ability to act quickly: given the competitive nature of the industry, if an attractive deal becomes available it is not likely to be available for a long period;
- Access to good quality information about the availability of sites and other data. This is related to the first point about experience: access to a network of actors involved in the development process is often a product of a developer’s particular experience.

3.2.2 Stock management

The management of affordable housing stock also poses a number of risks. The main risks lie in the area of costs and revenue control:

- Maintenance risks: The main cost risk is in the area of maintenance of the stock of dwellings held by the operator. The right balance is needed between maintaining a cost-effective asset management policy and, simultaneously, not generating larger maintenance obligations in the future. This risk can be minimised if the manager has an input into design of the dwellings.
- Tenancy risks: Suitable tenants need to be selected and their tenancies sustained. This process needs to manage rent arrears and rental vacancies, but also ensure that tenants are in the appropriate target group. A key issue here is the selection of an appropriate rent policy responsive to the availability of Commonwealth Rent Assistance and to the income levels of tenants.

The issue of tenancy risks has no direct commercial equivalent, for two reasons:

- a) the target group is likely to be different than many commercial tenancy managers have experienced previously;
- b) the aims of an affordable housing organisation are geared much more towards sustaining tenancies of low income households, rather than maximising the net revenue of the management organisation or landlord. For example, an affordable housing organisation might cultivate support partnerships with other agencies in order to assist tenants.

Ingredients of a successful management process

Without constructing a definitive list, the nature of the management task and its associated risks would suggest that a successful affordable housing manager would have:

- Experience in managing tenancies for this target group, or at least hiring staff with this experience. Direct commercial experience is much less relevant than in the case of the development process;
- The manager should also have the power to change policies when necessary in the areas of rent setting and allocations, if external circumstances change;
- A good network of contacts amongst appropriate support agencies and other non-profit housing managers.

Community Housing Providers would hold many of these requisite skills, so a process of involving these agencies in the management of stock would seem to be a solution that would minimise costs and risks. This issue is revisited in Chapter 5.

Economies of scale

Economies of scale exist when expansion of the scale of an operation causes total production costs to increase less than proportionately with output. Economies of scale within an activity are affected by a number of factors, but those most relevant to affordable housing organisations include:

- Division of labour: an expansion of scale results in greater specialisation amongst workers, which leads to increased efficiencies. This is particularly important for activities that require a range of skills. For example, in the case of affordable housing organisations a number of different roles exist, including tenancy manager, administration/accounting, asset management and development manager. These roles require different skills that are difficult to find in one person. If a number of different staff can be hired to take on each of these roles, improved performance usually will result.
- Some activities have to occur even if the number of properties is quite small. Examples might include paying staff or renting an office. As the number of properties increases these expenses are reduced on a per property basis.

Another issue in relation to small affordable housing organisations is that many of them are so small they often have insufficient income to support an adequate level of staffing. This presents specific problems that work against the efficient operation of the activity/agency. These include:

- Enforcement of policies (such as rent collection); and
- Difficulties in responding to emergencies or sudden spikes in activity (e.g. there may be delays in getting repairs completed or properties relet).

For these reasons it is clear that larger affordable housing organisations are likely to have significantly lower average costs per tenancy than very small affordable housing organisations. Analysis of the data from an ABS survey of real estate agents (ABS, 1998) suggests that economies of scale are evident up to the point at which 5 staff members are involved in leasing, but not much more than that. This is equivalent to about 300 properties. At this level, specialisation economies are available and fixed costs such as office rental, equipment, software, etc. are spread over a reasonably large output. In other words, economies of scale in the sector are driven by specialisation of labour and better use of fixed costs. These are significant but not large economies of scale, and certainly not of the order available in manufacturing industries.³⁴

3.2.3 *Criteria proposed to assess housing functions*

Based on the nature of the development process and the management of affordable stock, five criteria are considered important to use when reviewing affordable housing operations:

- *Scaleability*: the ability to grow to a size that will enable the organisation to generate the required economies of scale in a reasonable period of time;
- *Leverage*: the ratio of total investment to that part of investment directly funded by government;
- *Sustainability*: the capacity of the organisation to remain financially viable whilst still providing suitable client outcomes, especially in relation to affordability;
- *Flexibility*: the ability of the organisation to react quickly to development opportunities and provide solutions appropriate to prevailing market conditions; and
- *Cost-effectiveness*: measured partly by per dwelling costs compared to traditional social housing.

³⁴ The presence of economies of scale is acknowledged by SHAs in the way that they fund community housing organisations. For example in NSW, the funding formulae provides for a steady reduction in staffing and administrative costs as properties under management increase. Funding for staffing for 40 properties of about \$980 per property is provided. This decreases to about \$620 per property for organisations with greater than 200 properties and to \$507 for 600 properties. Over the same trajectory, administrative funding allowances decrease from \$663 to \$165 per property (Office of Community Housing, DOH (NSW)). (Figures are for 2001/02.)

3.3 Defining and analysing the governance functions for new housing delivery models

3.3.1 Governance requirements

Governance requirements for not for profit organisations operating a housing development and management business have both a general and a specific nature. In general, organisations need to be properly governed and properly managed. (For a review and discussion of what good governance means in context of the not for profit sector, see NSWFA, 2003.) In particular, organisations need to be capable of delivering a housing development program; have the skills and experience necessary to assess and manage the risks associated with a housing business operating in dynamic and volatile property markets; and to ensure that they remain a viable operator over time. In addition, as for any funded agency, their social purpose means they need to be fully and transparently accountable to the community they serve and to the governments (taxpayers) who support them. At a time when governments are looking for new ways of delivering affordable housing, it is also relevant to consider whether particular governance models have features that enable them to be replicated on wider basis. On this basis, the following criteria have been chosen to assess the governance models of the existing schemes.

3.3.2 Criteria proposed to assess governance

- *Organisational capacity and expertise:* Agencies must have the structures, leadership, decision making processes and skills to be able to effectively identify, promote and undertake commercial housing development where optimum leverage is facilitated and the end product is suited to its intended long term social purpose. Similarly, agencies must have the capacity to manage properties and to ensure the delivery of high quality and cost effective housing services either internally or in partnership with other agencies;
- *Accountability to government:* The extent of government investment requires robust accountability for financial arrangements, and the protection and use of assets in the short term (during development) and over time (under management and eventually disposal);
- *Community and tenant involvement:* Principles of strong community participation and community accountability should be addressed by the operations of subsidised affordable housing agencies. As well, a distinguishing feature of a social housing agency should be the involvement of its tenants in organisational development and decision-making; and
- *Replicability:* The organisational model should be suitable for wider adoption across different jurisdictions and geographic areas.

4 ALTERNATIVE AFFORDABLE HOUSING DELIVERY MODELS IN AUSTRALIA

Chapter 3 described the methodology used in the data gathering for this study, and proposed criteria suitable to be applied in the analysis of evidence collected on the providers that are being studied. This chapter describes current arrangements for the financing and development of alternative affordable housing models operating in Australia. Chapter 5 will draw on this evidence base to review the performance of operating models using the chosen criteria.

Information about the state of development of the affordable housing sector is provided at two levels in this chapter. The first section offers the reader a snapshot of the current state of development of the sector as a whole (Section 4.1). The chapter then presents a detailed case-by-case analysis of the main not for profit agencies involved directly in the provision of affordable housing in Australia. In this chapter, those agencies have been classified into two broad groups: state government established agencies (described in Section 4.2) and independently founded agencies (Section 4.3). The third part of the chapter gives brief consideration to the role of stakeholders other than the primary delivery agencies in affordable housing, including mainstream community housing providers, other government agencies and the private sector (Section 4.4).

Data presented in this chapter is drawn from two sources: official agency documents (listed in References), and extensive interviews conducted with company officials and other stakeholders (see Appendix A). The consistency of information and analysis that can be provided across cases has been affected by the different stage and scale of development of the agencies. As will become apparent in this chapter and the next, the component of affordable housing development in several cases is so small or at such an early stage that a meaningful assessment of agency performance and client outcomes cannot be made for those cases at this time.

4.1 Overview of the status of the not for profit affordable housing sector

To begin, the chapter provides an overview of the information collected for this study on the range, scale and type of new, non-government, not for profit delivery models for affordable housing that operate currently in Australia. Table 4.1 provides a comparative summary of the governance and operating features of the agencies that are described in greater detail later in the chapter. Following the table, an outline of the main dimensions and characteristics of the sector as a whole is presented.

Table 4.1: Comparison of Australian Not for Profit Affordable Housing Delivery Models

STATE GOVERNMENT ESTABLISHED AGENCIES				INDEPENDENT AFFORDABLE AND COMMUNITY HOUSING AGENCIES			
	City West Housing Pty Ltd	Community Housing Canberra Ltd	Brisbane Housing Company Ltd	City of Port Phillip/ Port Phillip Housing Assn (Inc.)	Perth Inner City Housing Assn (Inc.)	Community Housing Ltd	Melbourne Affordable Housing
Establishment	1994 NSW Govt initiative to develop affordable housing in Ultimo/Pymont under a funding agreement with the Commonwealth Government. 2000 Operation extended to Green Square, South Sydney	1998 ACT Govt initiative to manage properties on behalf of community based housing providers in the ACT.	2002 Qld Department of Housing and Brisbane City Council joint initiative to develop affordable housing in inner Brisbane.	1985 City of St Kilda Council initiative to expand local supply of community housing. Formed St Kilda Housing Assn to act as managing agent, 1986. Renamed Port Phillip after council amalgamations and operational changes.	1987 Formed from an advocacy group Perth Inner City Helping Agencies Inc., initially to lobby against the loss of lodging houses in Perth inner areas. Moved into asset acquisition in mid 1990s.	1993 Company established by members of Common Equity Housing Ltd to promote innovation in community based housing provision in Victoria.	2000 Melbourne City Council established Inner City Social Housing Co. to acquire/develop community housing. 2003 Became Melbourne Affordable Housing through friendly merger w/ Ecumenical Community Housing
Incorporation	Not for profit Company Ltd by Shares	Not for profit Company Ltd by Guarantee	Not for profit Company Ltd by Shares	Partnership of Local Government Authority and not for profit Association Ltd by Guarantee	Not for profit Incorporated Association	Not for profit Company Ltd by Guarantee	Not for profit Company Ltd by Guarantee

STATE GOVERNMENT ESTABLISHED AGENCIES				INDEPENDENT AFFORDABLE AND COMMUNITY HOUSING AGENCIES			
	City West Housing Pty Ltd	Community Housing Canberra Ltd	Brisbane Housing Company Ltd	City of Port Phillip/ Port Phillip Housing Assn (Inc.)	Perth Inner City Housing Assn (Inc.)	Community Housing Ltd	Melbourne Affordable Housing
Primary Purpose on Establishment	Deliver the Affordable Housing Program in Ultimo/Pymont and Green Square.	Provide an asset management and development capacity for the community-housing sector.	Increase affordable housing supply in the inner city for low-income people.	Provision of affordable and appropriate housing for local residents with long term links to area who are eligible for public housing; increase supply of community housing in the local area.	Provision of social and affordable in Perth Inner city.	Management and development of affordable and sustainable housing for people eligible for public housing.	To develop, own and manage sustainable social housing within the inner metropolitan area of Melbourne in collaboration with local government, philanthropic bodies, the corporate sector and communities.
Functions	Developer Owner Asset Manager Tenancy Manager	Developer Owner Asset Manager (Limited) Tenancy Manager	Developer Owner Asset Manager	<i>Council:</i> Developer Owner <i>Association:</i> Asset Manager Tenancy Manager Developer/Owner (since 1998)	Owner Asset manager Tenancy manager	Developer/ Builder Owner (limited) Asset Manager Tenancy Manager	Developer Owner Asset Manager Tenancy Manager

STATE GOVERNMENT ESTABLISHED AGENCIES				INDEPENDENT AFFORDABLE AND COMMUNITY HOUSING AGENCIES			
	City West Housing Pty Ltd	Community Housing Canberra Ltd	Brisbane Housing Company Ltd	City of Port Phillip/ Port Phillip Housing Assn (Inc.)	Perth Inner City Housing Assn (Inc.)	Community Housing Ltd	Melbourne Affordable Housing
Capitalisation/ Funding for Development	<p><i>Ultimo/Pymont:</i> \$50m Commonwealth Govt funding, 4% revenue from NSW Govt land sales in the area (\$7.3m to end 2002/03), Development levy under State Regional Environment Plan no. 26 (\$14m to April 2003).</p> <p><i>Green Square:</i> \$1.3m NSW government contribution for land purchase, Development levy under SSC LEP (\$22m to April 2003).</p>	<p>Project funding under ACT community housing programs. Received first development site from ACT govt on delayed payment basis. Application of retained earnings and development profits to housing acquisition.</p>	<p>\$50m Queensland Government; \$10m Brisbane City land and cash investment over four years, commencing 2002/03.</p>	<p>Land and capital to the value of \$13.76m by Port Phillip Council from 1985/86 to 2003/04. This has leveraged \$26.87m from (mostly state) government housing programs. Recently, application of Assn's retained earnings to development (\$3.22m).</p>	<p>Project funding from WA Government JV and community housing programs. Application of retained earnings and private finance of \$1.3m.</p>	<p>Project funding from Victorian Government JV and community housing programs. Capital, land & 'in kind' equity contributions from non-government equity partners. Application of Company's retained earnings from services and development fees to housing development.</p>	<p>\$1m City of Melbourne start up funding. Project funding from Victorian Government JV housing programs. Capital, land & 'in kind' equity contributions from non-government equity partners.</p>

STATE GOVERNMENT ESTABLISHED AGENCIES				INDEPENDENT AFFORDABLE AND COMMUNITY HOUSING AGENCIES			
	City West Housing Pty Ltd	Community Housing Canberra Ltd	Brisbane Housing Company Ltd	City of Port Phillip/ Port Phillip Housing Assn (Inc.)	Perth Inner City Housing Assn (Inc.)	Community Housing Ltd	Melbourne Affordable Housing
Leverage Mechanisms Utilised (NB further levers are under consideration in several cases)	Developer margins. GST exempt supply. Proceeds of developer charges. Cross subsidizing low income tenants with medium income tenants. Access to CRA.	Developer margins. GST exempt supply. Capture of planning gain. Proceeds of for profit housing sales (additional developer margins). Access to CRA.	Developer margins. GST exempt supply. Capture of planning gain. More flexible rent setting and optimum access to CRA.	Capture of planning gain. Private sector discounts. GST exempt supply (PPHA developments only). Access to CRA.	GST exempt supply. Private finance. Access to CRA.	Developer margins. GST exempt supply. Access to CRA.	Developer margins. GST exempt supply. Access to CRA.
Operational Area	Pyrmont, Ultimo and South Sydney	Australian Capital Territory	Brisbane City Concentrated within 7km radius of inner city	City of Port Phillip Council area	Perth Inner City	Victoria	<i>Through ICSHT:</i> Melbourne inner metropolitan areas <i>Through EHT:</i> State-wide.

STATE GOVERNMENT ESTABLISHED AGENCIES				INDEPENDENT AFFORDABLE AND COMMUNITY HOUSING AGENCIES			
	City West Housing Pty Ltd	Community Housing Canberra Ltd	Brisbane Housing Company Ltd	City of Port Phillip/ Port Phillip Housing Assn (Inc.)	Perth Inner City Housing Assn (Inc.)	Community Housing Ltd	Melbourne Affordable Housing
Governance Structure: <i>(a) Shareholders/ Members</i>	2 Ordinary shareholders: Minister for Housing and NSW Treasurer. 6 to 15 Preference shareholders: a cross section of community, church, local government, educational and private sector organisations as listed in the governing rules, appointed by the Board.	Membership open to individuals and housing providers who contribute to the benefit of the company. Membership applications approved by Board.	2 Ordinary shareholders: Queensland Department of Housing and Brisbane City Council. No more than 15 Community shareholders and preferably not less than 7: a cross section of community, church, educational and private sector organisations as listed in the governing rules, appointed by the Board.	Memberships open to tenants of the Assn and other individuals wishing to further the objectives of the Association. Membership application approved by Board	Memberships open to tenants of the Assn and other individuals wishing to further the objectives of the Association. Membership application approved by Board.	Up to 50 Members, either individuals or partner organisations appointed by the Board. Board has discretion to appoint >50.	Membership open subject to determination by Board.

STATE GOVERNMENT ESTABLISHED AGENCIES				INDEPENDENT AFFORDABLE AND COMMUNITY HOUSING AGENCIES			
	City West Housing Pty Ltd	Community Housing Canberra Ltd	Brisbane Housing Company Ltd	City of Port Phillip/ Port Phillip Housing Assn (Inc.)	Perth Inner City Housing Assn (Inc.)	Community Housing Ltd	Melbourne Affordable Housing
Governance Structure: <i>(b) Board/Director</i>	Expertise based Board with skills required listed in governing rules. 5-9 Directors. Elected by preference shareholders. Chair elected by Directors. No government employee/s can hold a position as Director.	Board made of government nominees and provider representatives with appropriate expertise. 7 Directors: 3 appointed by ACT Government. 4 appointed by provider members. ACT Government nominates chair and deputy chair.	Expertise based Board with skills required listed in governing rules. Up to 9 Directors (including Independent Chair, if appointed): 3 appointed by ordinary shareholders (2 DOH; 1 BCC). 5 elected by community shareholders. Chair appointed jointly by ordinary shareholders either from among Directors or as an extra Director.	Association controlled by committee of management. 8 Directors: 2 appointed by Council (previously 3). 6 appointed by members, including at least 1 tenant. Chair elected by committee.	Association with representatives and expertise based Board. 9 Directors. 7 elected by the members. 2 appointed by the Board (on an expertise basis). Chair elected by Directors.	Expertise based Board with skills required listed in governing rules. Up to 7 Directors. Elected by Members. Chair elected by Directors, who also determine the period of Chair's office. If Chair not present at a meeting, Directors present may choose one of their number to chair that meeting.	Board Directors must be persons actively involved in public activities and institutions as specified in the constitution. 5-9 Directors. Elected by Members. Chair elected by Directors.

STATE GOVERNMENT ESTABLISHED AGENCIES				INDEPENDENT AFFORDABLE AND COMMUNITY HOUSING AGENCIES			
	City West Housing Pty Ltd	Community Housing Canberra Ltd	Brisbane Housing Company Ltd	City of Port Phillip/ Port Phillip Housing Assn (Inc.)	Perth Inner City Housing Assn (Inc.)	Community Housing Ltd	Melbourne Affordable Housing
Tax and Charitable Status	Income Tax Exempt Charity (ITEC) Public Benevolent Institution (PBI) GST exempt for development	ITEC PBI Deductible Gift Recipient (DGR) GST exempt for development	ITEC PBI GST exempt for development	ITEC PBI No GST exemption on development by Council. PPHA GST exempt for development.	ITEC PBI GST exempt for development	ITEC PBI GST exempt for development	ITEC PBI DGR GST exempt for development
Special Vehicles	None	None Unincorporated joint venture used to manage first development.	None	Partnership between City of Port Phillip and Assn regulated by Management Agreements for individual projects.	None	None	MAH acts as trustee for 3 Trusts: Inner City Social Housing Fund; Inner City Social Housing Trust; Ecumenical Housing Trust.
Borrowing Powers	Constitutional power, vested in Board subject to prior advice to ordinary shareholders.	Power vested in Board	Power vested in Board	Power vested in Committee.	Power vested in Board	Power vested in Board	Power vested in Board and dictated by Trust deeds.

STATE GOVERNMENT ESTABLISHED AGENCIES				INDEPENDENT AFFORDABLE AND COMMUNITY HOUSING AGENCIES			
	City West Housing Pty Ltd	Community Housing Canberra Ltd	Brisbane Housing Company Ltd	City of Port Phillip/ Port Phillip Housing Assn (Inc.)	Perth Inner City Housing Assn (Inc.)	Community Housing Ltd	Melbourne Affordable Housing
Products and Services	Affordable housing	Long term community housing Affordable housing	Boarding houses Supported housing Affordable housing	Boarding houses Supported housing Long term community housing	Lodging houses Transitional housing Supported housing Long term community housing Affordable housing	Transitional housing Supported housing Long Term community housing Affordable housing Design and construction	Supported housing Long term community housing Affordable housing
Tenant Management: <i>(a) Eligibility</i>	Percentage of Sydney median household income: Moderate 80-120% Low 50-80% Very low 0-50% Households must have links to the local area.	Households meet ACT public housing eligibility.	Households entitled to Centre Link pension/benefit/allowance.	Households meet Victorian Office of Housing public housing eligibility and have links to the local area.	Households meet WA public housing eligibility criteria, with some discretion over allocation to owned stock.	Households meet Victorian Office of Housing public housing eligibility.	Households meet Victorian Office of Housing public housing eligibility. Other options under development for possible private sector joint ventures.

STATE GOVERNMENT ESTABLISHED AGENCIES				INDEPENDENT AFFORDABLE AND COMMUNITY HOUSING AGENCIES			
	City West Housing Pty Ltd	Community Housing Canberra Ltd	Brisbane Housing Company Ltd	City of Port Phillip/ Port Phillip Housing Assn (Inc.)	Perth Inner City Housing Assn (Inc.)	Community Housing Ltd	Melbourne Affordable Housing
Tenant Management: <i>(b) Rent Policy</i>	Income based Moderate 30% Low 27.5 % Very low 25%	Mixed model Policies of contracted tenancy managers apply (usually based on community housing policies), except for City Edge units where rent is 25% of tenant income (including any rent assistance) plus 100% maximum rent assistance entitlement (i.e. whether claimed or not); maximum rent 75% of market for 5 years, thereafter market rent.	Discount to market Rent set at up to 74.9% of market rent. Rents in boarding houses benchmarked to private operators.	Income based Rents based on community housing policies in Victoria (usually income based).	Mixed model A mix of income based rents and fixed price in lodging houses. Generally follow policies applying to WA public housing.	Mixed model Based either on 25% income plus CRA received by client, or discounted to market rent. Depends on locality, client group and service type.	Income based Based on 25% of income plus CRA for current housing. Market related rent policy being considered for future developments.

STATE GOVERNMENT ESTABLISHED AGENCIES				INDEPENDENT AFFORDABLE AND COMMUNITY HOUSING AGENCIES			
	City West Housing Pty Ltd	Community Housing Canberra Ltd	Brisbane Housing Company Ltd	City of Port Phillip/ Port Phillip Housing Assn (Inc.)	Perth Inner City Housing Assn (Inc.)	Community Housing Ltd	Melbourne Affordable Housing
Tenant Management: <i>(c) Tenure limits</i>	None. Market rent sets maximum rent paid.	None. Market rent sets maximum rent paid.	None. Discounted market rent (74.9%) sets maximum rent paid.	None.	None.	None.	None.
Tenant Management: <i>(d) Allocations</i>	Allocations policy: needs based within income groups. Maintaining income mix targets (moderate income 30%; low 45% and very low 25%) drives choice between groups.	Policies of contracted tenancy service providers apply. For City Edge units, selected providers provide referrals (that are subject to CHC approval) and are paid a service fee to support the nominated tenant.	Under development. Likely to consist mostly of referrals from partners and managing agents.	A points system is used to prioritise allocations across eligible target groups of households for PPHA managed properties and places nominated in public housing under the program.	Wait turn.	Varies by program – wait turn or nominations from partner agencies.	Under development.

STATE GOVERNMENT ESTABLISHED AGENCIES				INDEPENDENT AFFORDABLE AND COMMUNITY HOUSING AGENCIES			
	City West Housing Pty Ltd	Community Housing Canberra Ltd	Brisbane Housing Company Ltd	City of Port Phillip/ Port Phillip Housing Assn (Inc.)	Perth Inner City Housing Assn (Inc.)	Community Housing Ltd	Melbourne Affordable Housing
Housing stock:	365 dwellings owned.	15 units acquired through City Edge JV.	101 dwellings owned.	459 units initiated by City. 254 owned by the City, 78 owned by PPHA mostly under JV arrangements. PPHA has management responsibility or allocation rights to further 65 units. 62 units provided as public housing in the area.	265 units managed. Estimated 26% debt/equity share in 75 units, mostly under JV arrangements.	650 properties managed, of which 25 are owned by CHL.	57 dwellings in one complex managed as market tenancies.
Owned/ managed/ under development	81 units under development.	4 units under development. 209 properties transferred from ACT Housing on long term lease. Transfer of title of 153 now proposed subject to restructure of Company.	157 under development.	103 units under development.			Has taken over development and/or management of former ECH projects – about 119 units
Main Revenue Sources	Rental Income	Rental Income Recurrent subsidy of \$2858 per dwelling per annum for ex public housing stock.	Rental income	Rental income	Rental income Some fee for service income.	Rental income Some fee for service income, including earnings from development function.	Rental income

STATE GOVERNMENT ESTABLISHED AGENCIES				INDEPENDENT AFFORDABLE AND COMMUNITY HOUSING AGENCIES			
	City West Housing Pty Ltd	Community Housing Canberra Ltd	Brisbane Housing Company Ltd	City of Port Phillip/ Port Phillip Housing Assn (Inc.)	Perth Inner City Housing Assn (Inc.)	Community Housing Ltd	Melbourne Affordable Housing
Maintenance Provisions	Planned maintenance (day to day and cyclical) will be met from operating cash flow (NSW Treasury disallows long term maintenance provision).	Planned Maintenance Reserve.	Policy under development.	Planned Maintenance Reserve.	Planned Maintenance Reserve.	Planned Maintenance Reserve.	Policy under development.

Note: An earlier version of part of this table was developed by the NSW Department of Housing.

For all information sources: see report text and References.

4.1.1 *Scale*

The extent of development and ownership of affordable housing by Australian non-government, not for profit agencies is very small and unevenly developed across the country. In total, just over 1200 units of accommodation have been developed or purchased by the eight largest providers that have been included in this study³⁵. Those agencies have operated for various periods of up to 18 years, and about 10 years on average. The largest developer is City West Housing in NSW with 365 units completed since 1994. The oldest program is that initiated by the City of Port Phillip/PPHA partnership in Victoria, which operates in one local government area only and has initiated the development or purchase of 459 units (332 in their ownership) that have been acquired gradually since the late 1980s. Since the mid 1990s, Community Housing Limited has developed around 200 properties for a range of clients as a core part of its not for profit housing business. To date, the remaining five agencies studied have invested in and developed an approximate total of 320 properties. Of those agencies, only the Brisbane Housing Company has funded plans for future significant growth. Victoria is the only state with several not for profit agencies involved on a regular basis in an ongoing program of affordable housing development, including one agency (CHL) that operates state-wide.

4.1.2 *Stock and product mix and quality*

Most developments to date have been targeted at the lower end of the low and moderate-income client group generally considered to be in need of affordable housing. Some agencies cater mainly to special needs, and others to a range of households eligible for public housing. Dwelling types are heavily weighted towards smaller multi-unit accommodation: boarding house rooms, bed-sitter units, and 1 or 2 bedroom apartments. This stock profile complements that of both the private and public rental sectors where larger accommodation dominates the stock mix. The main product being offered is a long term rent option priced either according to income or as a discount on market price. While several agencies have contemplated other products, such as shared equity or subsidised home ownership, none have been launched (with the exception of Singletons' product developed in the early 1990s – see Appendix C).

Although the new housing projects being developed across the sector have not been inspected systematically in this study, they appear from published information, site visits and tenant surveys to be of good quality and design and acceptable to tenants. Several projects have won awards for urban design and/or their application of ESD principles. Most agencies have adopted best practice total asset management approaches, which have informed both their project development and property management practices. A number of agencies are involved in innovative projects that integrate affordable and market housing in the one site.

³⁵ The exact number of small one off projects that have been developed by other community housing providers, usually as joint ventures with SHAs, is not known but is also a relatively small number.

4.1.3 Finance for development

State and local government equity contributions (land and capital) have been the predominant source of development capital in the nascent affordable housing initiatives in Australia. Very little private finance has been drawn into the provision of affordable housing so far. Reasons for this situation include the small asset base and limited revenue stream of small independent providers. There have been some limited equity contributions from the not for profit agencies themselves, usually under joint venture arrangements with SHAs. Only one agency, CWH, has had the benefit of developer contributions. Some planning gain in several projects elsewhere, however, has been directed to affordable housing: either through the actions of the not for profit developer, or by negotiation with a private partner. Since 2000, the agencies have structured their arrangements to achieve GST exemptions on developments, except the City of Port Phillip, which as a local government entity is not eligible for GST exemptions. Leverage being achieved across most but not all agencies includes collection of some rent assistance as additional revenue, and application of the savings of not for profit development to create additional units of affordable housing. In multi-program agencies, it is possible that program funds granted for other parts of their business have helped to a small extent to cross-subsidise development of their own assets.

4.1.4 Operational viability

Most organisations or projects studied for this research have not been operating long enough to enable assessment of their long-term performance and future viability. Additionally, in multi-program agencies, the viability of development projects cannot be assessed separately from the published accounts. In the largest agency, CWH, the cost revenue projections for assets and services over 30 years are positive at this stage (see Appendix D). Such a result is to be expected from the CWH model, which is founded on 100 per cent equity and revenue from a mixed income client group.

With the exception of CHC, none of the agencies studied are receiving recurrent subsidies directly to support the management of their owned assets. Therefore, if their long-term cost structures deteriorate against projected levels, the affordability of the housing they offer to lower income households or, alternatively, their capacity to target that group may be at risk.

The non-capitalised agencies are using retained earnings from their housing services to support whatever level of development capacity they have. In those cases, the ongoing viability of this function is problematic, because annual surpluses are quite small. Certainly, it restricts the rate and scale of their development.

4.1.5 Project development processes

Across the maturity and form of agencies studied, there are variations in the effectiveness of management of the project development process. Those agencies capitalised by government and the larger, longer established and/or more diversified agencies have clear advantages.

City West Housing has operated very effectively in a high-pressure local market to secure its developments within good time frames. Ready access to capital, a highly responsive corporate decision making environment, and development and planning expertise among the Board and staff were identified as key factors contributing to their operating success.³⁶ Nevertheless, CWH reported experiencing greater difficulty acquiring sites as market pressures had increased in the redevelopment precincts in which they operate. In the case of City of Port Philip, several development opportunities have been created through Council ownership of sites or air space. Community Housing Limited has built up a critical mass in relation to its development arm, and benefits from operating a diversified housing business over a wide geographical area. In most other cases, securing regular development opportunities has been a much lengthier and more uncertain process. The major impediment identified by smaller or more specialised agencies lacking their own capital was the time taken to achieve project-by-project funding approval. Those agencies reported that poor understanding of the project development process in the government funding body, and a lack of confidence/trust in the proponents, have contributed to delays in project approval.

All agencies studied had experienced difficulties in achieving development approval through local government. Problems were greater for agencies operating across several municipalities. The main impacts of these difficulties were delays and cost overruns, rather than project failure. No projects collapsed or did not proceed once approved for development.

4.1.6 Organisational capacity and governance

All except two agencies studied here are operating under Australian Corporations Law. The agencies have each attracted a mix of high profile and experienced Directors to their Boards from the private and social sectors. The majority now offer their Directors remuneration, although payment levels are very modest. Stability of Board membership and staff appears to have been a characteristic of the well-established and larger agencies.

In those organisations where Board structure has not been determined by government, agencies consistently have taken the initiative to establish or enhance the expertise of their Boards in the area of property development, since this function has become part of their core business. Of note in comparison to trends overseas, however, is that participation from the financial sector is still lacking in both government and non-government formed Boards. Alongside the absence of a sufficient subsidy to support the cost of private financing options, and a lack of prior experience with this sector among investors, this may be another factor contributing to the absence of institutional investors in the Australian social and affordable housing sectors (see Berry, 2000).

There was some evidence of pro bono support being drawn in from the corporate sector, particularly from legal firms. This appears to have come through networks of

³⁶ CWH employs a full time development and property manager. A person with extensive private sector experience has occupied the job since its inception. The Chair of the Board is a retired developer.

individual members and Directors, rather than from corporate programs dedicated to the facilitation of affordable housing.

The new government companies established in 3 states have involved very long lead times and high set up costs. These did not arise for those existing NGOs that expanded into housing development. Moreover, the self-governing agencies with development experience are under-utilised at present, and have good potential to expand their development program. On the other hand, they have very little potential to generate their own growth under present funding regimes, and are unlikely to be able to sustain their development functions at the present level of activity. This suggests that, if governments want to expand non-government affordable housing development, engagement with existing agencies would be a cost effective and efficient way forward. As discussed later in the study, specifically designed and broadly applicable regulations and targeted infrastructure support will be critical parts of a policy package aimed at engaging the existing sector in larger scale affordable housing development.

4.1.7 Monitoring and accountability

There is a clear difference in approaches to decision-making, and accountability to government and to the wider community, between government-founded and independent affordable housing agencies in this study. An arms length approach has been adopted for government-founded agencies such as CWH and BHC. While government approval of business plans and major changes in Company strategy are required, individual project approval is a responsibility of the Board. In contrast, up until the stage of project approval, independent agencies (such as ECH and CHL) have been subject to detailed scrutiny of individual project proposals by the government-funding agency. Paradoxically, several providers indicated that ongoing monitoring of service delivery by government is comparatively weak in those agencies. The mechanism of accountability to community interests is another difference between the two types of governance models. Government-founded agencies feature an innovative approach that allocates prescribed shareholding rights to a cross-section of community interests. Community accountability in the independent agencies depends largely on the way membership is structured and engaged.

Monitoring agencies have not yet developed a 'performance standards' framework for assessing the efficiency and effectiveness of affordable housing development by not for profit providers. Consequentially, at this stage, key indicators of the sector's performance (for example, development costs, property management costs, financial performance and risk, liquidity and rates of return) cannot be compared on a standard basis; either amongst organisations in the sector, or in reference to public housing.

Having identified these performance and accountability issues, it is important also to point out that the approach to regulation and monitoring of housing NGOs in Australia is, at present, generally in transition. Implications of the changing regulatory environment for the future set up, governance and accountability of affordable housing agencies are considered further in Chapter 5.

4.2 Description of State Government established agencies

This section considers in more detail the structure, functions and operations of the agencies that have been established by three state and territory (hereafter state) governments in Australia to develop affordable housing³⁷. In this and the following section, agencies are discussed in order of foundation.

4.2.1 City West Housing Pty Ltd

Foundation and history

City West Housing Pty Ltd (CWH or the Company) was incorporated as a not for profit housing company limited by shares in June 1994. The NSW Government established the Company with a single purpose: to deliver the Affordable Housing Program in Ultimo/Pyrmont, a redevelopment precinct in Sydney's Inner West. In 2000 the Company's constitution was changed to enable CWH to operate throughout NSW.

The Affordable Housing Program is the first of its kind in Australia. It aims to ensure that a socially diverse residential population representative of all income groups is maintained in Ultimo/Pyrmont, which is a former industrial precinct being redeveloped as a high quality, high density mixed living and working environment (DOP, 1992; DUAP, 1995). Under the program, up to 600 units of medium density housing are being constructed or purchased by CWH over 30 years for renting to a mix of very low, low and moderate-income households.³⁸

Funding arrangements for development of housing projects

Three main funding streams were established at the outset to finance development of affordable housing by CWH. The Commonwealth Government contributed \$50 million through its Better Cities Program. This funding was provided as a capital injection to the Company at the beginning, and initially enabled a faster rate of development. Second, the NSW Government contributes 4 per cent of proceeds of the sale of government owned land in the area. By June 2003, \$7.3 million had been received from this source (CWH, 2003a).³⁹ The third primary source of funds has been developer contributions required for all non-exempted development (residential and business) in Ultimo/Pyrmont under the planning instrument for the area, State Regional Environment Plan 26 (DOP, 1992; DUAP, 1995). The enabling mechanism

37 One agency, the Brisbane Housing Company, was founded by the Queensland Government in partnership with Brisbane City Council.

38 The target income groups for housing under the program are defined with reference to the Sydney region gross median household income as very low: less than 50 per cent, low: 50 to less than 80 per cent, and moderate: 80 to 120 per cent of that median. The income cut off for each group is adjusted annually.

39 Total revenue of \$10.3 million from this source is forecast until June 2006 (CWH, 2003).

for these contributions was inclusionary zoning, intended to ensure that a proportion of all housing to be developed in the area remained affordable for low and moderate-income households as prices rose and put social diversity at risk. Provision was made in this instrument for developer contributions to be either 'on site' or an 'in lieu' monetary contribution.⁴⁰ In practice, all developer contributions have been monetary. From 1994 to April 2003 they amounted to almost \$14 million (CWH, 2003a). In addition to these sources, CWH itself has committed surplus rental income and interest from deposit funds to its construction program (\$1.1 million in 2002/03; see Section 5.2.2).⁴¹ Appendix D has more detail on CWH's business model.

Under the original program formulation for affordable housing in Ultimo/Pymont, it was envisaged that Commonwealth and NSW government funding combined would provide for around 400 units of accommodation, while developer contributions would provide for construction of around another 200 units, all over a 30 year period. Over that time span actual program achievement will be affected by many factors; especially changing land and construction costs and the rate, timing and extent of development of the precinct, which will affect the Company's revenue from developer contributions and government land sales. The latest business plan for CWH projects 581 units being provided in Ultimo/Pymont by 2033 (CWH, 2003a).

No provision has been made for any additional government subsidy for CWH's ongoing operations, as the program was designed and capitalised to achieve a financially self-sustaining operating model. Tenant mix and rent setting policies are central to the achievement of this objective. The Company's rules require rents to be set at a price within the capacity to pay of its tenants, who are income-constrained. Rents are set progressively in relation to the household's income band at 25, 27.5 or 30 per cent of household income. Revenue from rents is expected to cover all long term property and tenancy management costs, with any surplus to these requirements being used for the purposes of the Company. The founding rules of the Company also require that a reasonably equal balance between tenants in each income group be maintained. While these rules provide flexibility, the actual target mix of households has had to be adjusted over time to sustain revenue forecasts. This has resulted in a reduction in the share of housing being earmarked for very low-income households (Table 4.2.1-1).

40 For an explanation of how developer contributions were formulated under this program, see Milligan et al., forthcoming.

41 The Company also has a very small commercial operation.

Table 4.2.1-1: Adjustments in target allocations of tenancies by income group, City West Housing

Income group ⁴²	Share of allocations		
	Rules	1994 target	Current target
Very low	20-45%	30 %	25 %
Low	20-45%	40 %	45 %
Moderate	40% or less	30 %	30 %

At 30th June 2003, the actual distribution of tenants within the 340 units occupied was 28 per cent for the very low income group, 39 per cent for low income, and 33 per cent for moderate income. This result represents a better balance across the income bands than in some previous years. The average household income of individual tenants in 2003 was \$33,000 (CWH, 2003b).

The difficulties experienced by City West Housing in providing enough places for very low income households derives from two factors: a rigid and cumbersome way of managing allocations across income groups which was included in the original regulatory framework and the low value of potential CRA that they are gaining (see Table 2.4).⁴³

Governance and accountability

City West Housing was set up by government to be a new, alternative provider of affordable housing in an inner Sydney precinct, to complement the role of existing public and community housing providers in the area. Ownership of the Company was vested in two Ministers of the Crown, the NSW Minister for Housing and the NSW Treasurer, who each hold ordinary shares. The ordinary shareholders must approve the annual business plan, any financial borrowings, remuneration of Directors, and changes to the Company's Statement of Objects, Principles and Accountabilities. The ordinary shareholders have overriding reserve powers to intervene or recall Company assets in the event of failure by the Company to meet its objectives and performance requirements.

Community interests in CWH's approach to the delivery of affordable housing are provided for via the issue of redeemable preference shares. Between 6 and 15 organisations can be issued with such shares at any one time. Shareholding organisations are selected from the following categories: local community housing organisations; major local employers; major employee groups; the responsible local government authority; church, charitable or welfare service organisations; housing, building industry and consumer (tenant) peak bodies; and financial and development agencies with a demonstrated interest in affordable housing. The choice of

⁴². In 2002/03, very low income households were defined as having an annual gross income of less than \$22,413; the income of low income households was between \$22,414 and \$38,196; and moderate income households had incomes above that level but below \$57,294. See also footnote 38 in this section.

⁴³ CWH collects rent on the basis of a percentage of tenant income, including any CRA obtained by the tenant.

preference shareholders must be balanced between commercial and social perspectives (CWH, 1994). Preference shareholder agencies appoint and remove Directors of the Company, and approve the business plan. As indicated, the latter is also subject to agreement of the ordinary shareholders.

An expert Board of between 5 and 9 Directors manages the Company and a small staff team carries out its operations; there are presently 6 staff members. The Company's constitution requires that the Board comprise Directors with expertise in one or more of the following areas: housing development and procurement, finance and/or accounting, social housing management, law, social policy development, asset management and community welfare.⁴⁴ A balance of expertise across the Board is also a requirement. Directors elect a Chair of the Board. Since 1997, preference shareholders have appointed one Director from among the tenants of the Company. Directors receive remuneration, at a level determined by the ordinary shareholders. The Company has the status of an income tax exempt charity (ITEC), is a public benevolent institution (PBI) and has been GST exempt for supply since 2000/01.⁴⁵

There is no legislation dealing specifically with CWH. Consequently, the regulatory framework for the Company derives from a plethora of acts and policy documents: chiefly Corporations Law, the Company's Statement of Objects, Principles and Accountabilities, applicable State planning policies and legislation (notably Sydney Regional Environmental Plan No 26), and Residential Tenancy Law (Murphy, 2001). Certain provisions of the Public Finance and Audit Act 1983 (NSW) also apply, insofar as the Auditor General is the required auditor of the Company and therefore has regulatory powers over the Company as prescribed under that Act. For its reporting and performance review purposes, NSW Treasury in practice has treated CWH as if it were a public entity. For example, the Company's capital program is included in the State Asset Acquisition Program (NSW Budget Paper No 4), and Treasury policies and guidelines are deemed to apply in relation to capital acquisition, asset management and financial and risk control. Murphy (*ibid*) has argued that performance requirements and reporting for the Company (as a government shareholder company) are in effect at least as robust as those for state-owned corporations in NSW.⁴⁶

Government officials responsible for overseeing the Company's operation indicated in interviews for this study that they generally have been satisfied with the Company's performance to date, and that no material differences between the

44 Employees of government agencies in Australia cannot be Directors of CWH.

45 Definitions in this report of ITEC, PBR and (later) DGR and charitable status are based on the following sections of the Income Tax Assessment Act (ITAA) 1997: (i) Income Tax Exempt Charity – subdivision 50-B of the ITAA 1997; (ii) Public Benevolent Institution – item 4.1.1 of the Table in s30-45 of the ITAA 1997; (iii) Deductible Gift Recipient – subdivision 30-B of the ITAA 1997; and (iv) Charitable institution – item 1.1 of the Table in s50-5 of the ITAA 1997.

46 Murphy (2001) notes however that reporting to Parliament on City West Housing matters is less onerous. The Auditor General is required only to report a non-compliance or material variation with annual financial reporting requirements. Other matters that would be reported to Parliament on behalf of a state owned corporation (such as constitutional changes and annual reports) in the case of CWH are provided to the ordinary and preference (community) shareholders.

ordinary shareholders and Board have arisen during nearly 10 years of operation. There have been no adverse reports to Parliament by the Auditor General on CWH matters.

In summary, the governance model for CWH places government in the position of determining the Company's strategic direction with advice from preference shareholders; while operational decisions are made by an expert Board and their staff. Regulation of the Company occurs through exercise of the powers of the two Ministers who hold ordinary shares in the Company, as laid down in the Company's governance rules and those of the Auditor General under the Public Finance and Audit Act.

Overview of operations

CWH has had sole responsibility for development of the largest amount of affordable housing in Australia to date,⁴⁷ involving 9 completed construction projects and purchase of 60 completed dwelling units.⁴⁸ In total, 365 units of accommodation have been secured. These comprise 41 per cent 1 bedroom and 43 per cent 2 bedroom units, with the remainder being 3 or 4 bedroom units. These units had an estimated market value of over \$220 million in 2003 and were built at an historic cost of around \$110 million (CWH, 2003a). A further 81 units of accommodation are scheduled for development by July 2006. The Company has retained responsibility for tenancy and property management of all dwellings that it owns. To do this it has had to develop its tenancy management policies and skills and supporting operating software and business procedures internally from scratch.

The current profile of CWH tenants is summarised in Table 4.2.1-2. Several aspects of this profile differentiate CWH's client group from that of public and community housing programs. There is a relatively higher rate of employment among CWH tenants compared to public housing tenants.⁴⁹ This is a product of both the Company's income mix policy and its policy of allocating to people with connections to the local area, which as a mixed residential and commercial precinct includes many lower paid workers. Relatively few households with support needs are being assisted, and no partnerships with support providers are in place. In keeping with the amount of smaller accommodation being developed by the Company, a relatively large share of the tenant population comprises single people who are mostly non-aged.

47 While the housing program of the City of Port Phillip is slightly larger (Section 4.3.1), not all of the housing in that program was developed or purchased by the Council.

48 Company policy allows for purchase of completed units or projects only when this is a cost effective procurement option.

49 Less than 10 per cent of public tenants on rental rebates in NSW cite wages and salaries as their chief source of income (DOH (NSW), 2003a).

Table 4.2.1-2: Profile of tenant households in City West Housing, June 2003

32% receive their primary income from Centrelink
70% have income from employment
51% have lived in the Ultimo Pyrmont area for more than 5 years
48% come from a non-English speaking background
6% are aged or frail/aged
2% are Indigenous
2% have a disability affecting their housing needs
54% family households, 39% lone person households, 7% couples or people sharing

Source: CWH (2003b)

To date, the scale of CWH projects and their rates of development have been determined by three main factors: the Company's development capacity, its cash flow situation, and the availability of sites. Development of one or two projects a year has been typical. The rate of development could be intensified if the Company used loan facilities to underpin its cash flow and the Board has acknowledged this potential recently.

In 1998, the NSW Government proposed an extension of CWH's area of operation to enable the Company to become the delivery vehicle for an affordable housing program in another inner city redevelopment precinct, located in Green Square (in the former South Sydney Municipality, now City of Sydney). It is intended that this program will be funded mainly by developer contributions under the Local Environment Plan for the area (SSCC, 1999).⁵⁰ Based on the projected level of developer contributions, up to 284 dwelling units are planned for development/acquisition in this precinct over 30 years (CWH, 2003a). After a protracted time obtaining sites for development, the Company will commence construction in 2004 on the first project in Green Square and has recently purchased one further site in the area, which is expected to yield 29 units.

Since the 2000 constitutional change to its geographical area of operation, City West Housing has considered some housing development and management opportunities in other areas of Sydney. However, no project commitments have been made. This situation is probably attributable in part to the absence of both housing and planning policy frameworks for affordable housing (see Chapter 5), and the lack of an identified source of funds to support expansion of CWH or other agencies beyond planned projects in the Ultimo/Pyrmont and Green Square precincts. Notwithstanding CWH's proven track record, there appears to be no government commitment or plan to expand or replicate the model in NSW at this stage.

⁵⁰ CWH received a one-off grant of \$1.3 million from the NSW government to purchase land in the area, and is presently investigating other possible funding sources, including private borrowing. Contributions from developers operating in Green Square amounted to nearly \$22 million in April 2003 (CWH, 2003a).

4.2.2 Community Housing Canberra Ltd

Foundation and history

Community Housing Canberra Ltd (CHC or the Company) was established by the ACT Government in 1998 as a not for profit company limited by guarantee. The original purpose of the Company was to provide a vehicle for transfer of public housing stock to the ACT community housing sector. The Company was conceived as an umbrella organisation for that sector, which comprises a diverse group of mainly small organisations specialising in tenancy management. Thus CHC's core functions are to provide property management services to tenancy providers, and to facilitate sector growth and development through leadership and ancillary service roles. Originally, title transfer of up to 1000 properties was proposed. Difficulties arose within the ACT Government about the accounting treatment of the transfer, however, and the program ceased after 209 properties had been transferred. The Company presently holds the transferred properties on a long-term leasehold basis, but they appear on the CHC balance sheet as assets (CHC, 2003a). The current ACT Government has foreshadowed its intention to transfer title to 153 of these properties to the Company, subject to changes in CHC's governance arrangements (see below).

Although allowed for in its charter, CHC was not given an explicit brief to develop affordable housing. Shortly after its foundation, however, the Company was approached by the ACT Government to conduct a feasibility study into options for redeveloping a major run-down public housing site in the Canberra suburb of O'Connor. This led to CHC initiating a joint venture development on the site known as City Edge, which produced 126 units of new housing, 30 of which have been retained for public and community housing. Further details on the structuring and delivery of this project are contained in Box 4.2.2. Undertaking the City Edge development demonstrated CHC's interest in and capacity for housing development, and triggered an ongoing debate in the ACT about the Company's future role and core business. The current stage of that debate is discussed further below.

Box 4.2.2: City Edge Development, O'Connor ACT

Proponent	Community Housing Canberra (CHC)
Description	Development of 126 1, 2 & 3 bedroom units and townhouses and a professional suite.
Site	Former public housing complex comprising 143 bed sitter flats, (av. size 30 sq.m), 2km from Canberra CBD
Vehicle for development	Townhouse site sold to developer. Remaining site developed as an unincorporated joint venture between CHC and Canberra Investment Corporation/Pendon Constructions Pty Ltd. An unincorporated delivery vehicle meant that CHC's tax exemptions for development could be accessed. Stamp duty was also avoided because CHC retained control of the land.
Development Components	<p>Integrated public, community and private development in four 3 storey buildings comprising:</p> <ul style="list-style-type: none"> * 15 units of public housing returned to ACT Housing (12% of all dwellings) (valued \$2.55m, 2001); * 15 units of community housing retained by CHC (12% of all dwellings) (value \$2.45m, 2001); * 96 units of market housing; * 1 commercial space that has been retained by CHC for use as their office.
Project details and financial Arrangements	<p>Total value of development: \$29m.</p> <p>Project feasibility and management grant: \$0.2m. Department of Family and Community Services Site: unencumbered transfer from ACT Housing in return for public housing units on completion. Negotiated value: \$2.6m (included \$0.45m cash adjustment).</p> <p>Relocation of 112 tenants by ACT Housing, with costs met by CHC after negotiation.</p> <p>Sales: \$16m.</p> <p>Maximum Debt exposure: \$8.8m. NB: Debt financing (using a non recourse loan facility) supported development of social and private units.</p> <p>Variations during construction: \$0.6m (5%).</p>
Design concepts	<p>Design competition used to attract interest, to establish bona fides of CHC as a new developer, to achieve an innovative planning outcome and to work out an acceptable mix social and private development. 5 design groups tendered and received \$0.01m each for sale of their design concept to CHC. Final tenderer chosen by CHC after negotiation.</p> <p>ESD initiatives – including solar street lighting and solar assisted bulk gas hot water; demonstration wetland rehabilitation project in adjoining parkland (funded in lieu of planned grey water use which could not be achieved).</p> <p>Four adaptable units in CHC share.</p>

Management	<p>City Edge Management Company established to manage maintenance of complex and 4 body corporate entities (one for each building) in perpetuity.</p> <p>Public housing managed by ACT housing.</p> <p>CHC owned housing managed by CHC, in partnership with their tenancy service providers (see Table 4.1).</p>
Development and marketing milestones	<p>Feasibility study grant 1998</p> <p>Demolition and land transfer 2000</p> <p>Marketing and sales from July 2000</p> <p>Occupation September 2001 – April 2002</p>
Leverage	<p>GST credits</p> <p>Development profits accruing to CHC</p> <p>Net increase in value of social housing assets \$2.86m</p> <p>Potential to leverage finance for additional projects from unencumbered assets retained.</p>
Other economic costs and benefits	<p>Larger, better quality social housing provided.</p> <p>Future liabilities for social housing on the site reduced (It was estimated in 1997 that \$3.7m would be required to refurbish the existing bed sitter flats).</p> <p>Improvement to precinct values.</p> <p>Additional parking for nearby shopping centre customers.</p> <p>Recurrent saving to CHC of \$18,000 pa in office rent.</p> <p>Net loss of 113 units of social housing.</p>
Risk management	<p>CHC had the option to sell its units to cover additional costs if they arose.</p> <p>By selling the townhouse site, CHC accepted lower than maximum profits in returned for reduced development risk.</p>

Sources: CHC (2002); and interviews with CHC officials, November 2003.

Funding arrangements for the development of housing projects

The original funding arrangement between the ACT Government and CHC provided for a recurrent subsidy of \$2,858 per annum to be paid to CHC for each unit of housing stock transferred to the Company for management. That subsidy level was calculated to meet the difference between estimated annualised costs of long-term maintenance and management of the transferred housing on a similar basis to public housing, and income-constrained rent paid by tenants of community housing organisations. On that basis, the ACT Government is paying CHC a total of \$597,322 in rental subsidies per annum for management of the 209 ex-public housing properties. Aside from rental revenue, that subsidy is the Company's principal present source of revenue (CHC, 2003a).

The ACT Government has not provided direct funding for the Company's self-initiated housing development projects. However, the Company transferred some of its operational 'surplus' to help finance construction of the community housing units

at City Edge.⁵¹ The majority of the cost of acquiring the O'Connor units was funded through development profits returned to CHC as a joint venture partner in the project, as set out in more detail in Box 4.2.2 (above).

Currently, a 28 unit apartment complex in the Gungahlin town centre is under construction by CHC. This second site was purchased at a negotiated price from the ACT Land Development Agency. Twenty two units in the development have been presold at the lower priced end of the housing market, including a component targeted at first home buyers and 2 wheelchair accessible units. It is planned that 4 units (14 per cent) will be retained by the Company for subsidised rental housing, funded from anticipated profits on the whole development (\$0.85m); and a further 2 have been sold at cost to ACT Housing, bringing the likely social housing component on site to 21 per cent (personal communication, CHC).

Governance and accountability

The original model for CHC envisaged an umbrella organisation servicing an existing community housing sector that was to be expanded, especially through stock transfers. This plan was reflected in the Board structure. The Constitution makes provision for 3 (of 7) Directors of the Company to be appointed by government, through the ACT Minister for Housing. Community housing provider organisations appointed by the Board as members of the Company appoint the other 4 Directors as their representatives. The Minister for Housing also nominates the Company Chair and Deputy Chair from among the Directors.⁵² The Constitution expresses a desire for the Board to comprise a mix of private, public and community sector experts; how this goal is to be achieved through appointment processes is unclear, however. Directors act in a voluntary capacity, although they can be remunerated for any professional services they provide the Company. The Company has ITEC and PBI status and has been GST exempt for supply since 2000/01.

Proposed changes to function and governance

In context of an evolving debate about the expansion of affordable housing options in Australia (see Chapter 2), the ACT Government has proposed a restructure of CHC. Three specific reasons are given for the restructure: to recognise and confirm CHC's development arm; to reflect 5 years' experience in their role as an intermediary organisation for the community housing sector; and to strengthen the Company's accountabilities for a growing asset base (RPR, 2003). Future directions envisaged for CHC involve confirmation of its role as a property developer and asset manager for the community housing sector, and as a vehicle for the expansion of affordable housing. Consistent with the origins of the Company as a specialist agency within the ACT community housing sector, a core tenancy management role is not

⁵¹ Implicitly, any surplus made by the Company includes a component of the annual government subsidy it receives.

⁵² To date, these executive positions have been filled by the government appointed Directors.

envisaged.⁵³ In addition, the sector development functions of CHC are being transferred to a community housing peak body.

The ACT Government is intending to secure a major change in the governance of CHC through the introduction of two classes of members. The Government is proposing to become an ordinary member of the Company, represented by two departments: the Department of Treasury and the Department of Disability, Housing and Community Services. Each would have one vote. Community housing organisations that are members of the Company would be classed as community members.⁵⁴

In addition to prevailing arrangements for appointing a minority of Directors (see above), under the Government's proposal, the ordinary members of the Company would hold additional powers relating to: constitutional amendments, setting remuneration levels for Directors, evaluating and approving the business plan, control and disposal of assets, and certain financial and strategic activities of the Company (such as borrowing limits, establishment of subsidiaries or joint venture vehicles, and major developments). Operational management will be vested in a skills-based Board. A range of accountabilities to ordinary members for Company operations and performance are also to be specified. Under the proposed changes, skills requirements for the Board will be made more explicit than in the present constitution (CHC, 2003b; RPR, 2003).

If they proceed, the changes proposed by the ACT Government will represent a significant increase in government control over the Company. They also will bring at least the general features of CHC's governance model into line with those operating for CWH and BHC, the other two cases described in this section. The proposed changes are presently subject to negotiation with the Company, which is seeking legal advice about the potential impact of such changes on their tax and charitable status.

These shifts in the ACT reflect a convergence of thinking currently evident across several Australian jurisdictions around the need for long-term government membership of affordable housing companies, especially to secure and protect publicly funded assets.⁵⁵ This does not tend to occur in non-government delivery models in countries with well established not for profit sectors, such as the United Kingdom, The Netherlands, and the USA, where accountability is secured through legislation and regulatory power. The governance of Australia's emerging affordable

⁵³ CHC currently manages its own properties in the City Edge development, although this was not intended in the original proposal for the site.

⁵⁴ All community housing organisations are expected to be eligible for membership in the company to overcome the circularity in the present arrangements, whereby the Board determines which members are admitted. At present only 9 of an estimated 23 eligible provider organisations are members of the Company.

⁵⁵ The approach of the Victorian government (see Section 2.6) remains contrary to this trend.

housing sector thus is atypical of approaches elsewhere.⁵⁶ The implications of this situation in Australia for future growth of the sector are discussed in Chapter 5.

Overview of operations

After 5 years of operation, Community Housing Canberra Ltd has well-developed infrastructure but its operations remain small in scale; although this is in keeping with original aims. The Company presently manages the upkeep of 209 properties on behalf of 9 non-government ACT housing providers. One development project with 15 units retained by the Company has been completed and three others, expected to yield 9 affordable and social housing units, are under construction or in the planning stage (CHC, 2003a).⁵⁷

Eligibility, allocations and rent setting policies for housing sub-let to community housing organisations are managed under existing community housing program guidelines. The Company has developed specific bylaws relating to the management of the 15 properties it owns in the City Edge development (CHC, 2001a) (see Table 4.1).

As indicated above, CHC presently has no source of finance sufficient to establish a regular development program, and the impact on long-term operational viability of using Company surpluses for development has not been assessed independently. At the Company's present scale of operation, development projects will only be able to be initiated occasionally, since they rely on one-off grants of land or capital or the profit from private development activities.

Recent negotiations about the role and governance of CHC have been set, however, in a context of expressed ACT Government interest in growing the provision of social and affordable housing in the ACT by non-government providers. The signs are that the Government is seeking to restructure and strengthen the direct-to-government accountabilities of the Company, in order to provide a foundation for further investment in CHC's development role.⁵⁸ The prospect of transferred properties and existing assets (presently valued at \$26 million (CHC, 2003a)) being used to leverage private finance also has been contemplated.

4.2.3 Brisbane Housing Company Ltd

Foundation and history

The Brisbane Housing Company Ltd (BHC or the Company) was established by the Queensland Government and Brisbane City Council in July 2002 as an independent not for profit company limited by shares. The primary purpose of the Company is to develop affordable housing for low income households in the inner areas of

56 On the other hand, the use of various models of arms length government entities for the management of traditional public housing is a growing trend in Canada, the United Kingdom and parts of Europe; it has not occurred here to date.

57 In 2002/03, the Company tendered successfully for two projects under the ACT's community housing program: a 'big house' of four self contained units built to appear as a single dwelling, and a group home with four bedrooms. These projects will be funded from a mix of government grants and surpluses generated by the Company's operations.

58 As indicated in Chapter 2, the ACT Government has recently committed an extra \$33.2 million to the supply of additional social housing but, as yet, has not indicated how this funding will be allocated.

Brisbane,⁵⁹ in order to complement existing public, community and private housing options.

Brisbane City Council (BCC) initiated discussions about forming a possible housing trust in 1999. Early discussions led to a joint concept for an affordable housing entity being proposed by BCC and the Queensland Department of Housing (DOH) to their respective Cabinets.⁶⁰ Both governments' interest in participating in the project was confirmed in 2001. The final model was approved in June 2002 and initial funding contributions were secured in December of that year (DOH (QLD), forthcoming).

Funding arrangements for the development of housing projects

Similar to the arrangement applying to City West Housing, on which the Brisbane model has largely been based, the initial funding for BHC is from significant government equity contributions. In BHC's case, the Queensland Government through the DOH has committed \$50 million in land and cash until June 2006.⁶¹ BCC has committed \$10 million on similar terms. Under a Funding Agreement with the DOH, around 58 per cent of the value of the funding (\$28.6 million) will be provided through land transfers.

One key difference to the start-up of CWH is the high ratio of land to capital being provided to BHC by government as part of the equity contribution. On one hand, this should help to ensure that sites for development can be brought on stream to plan. On the other, it may result in cash flow issues for the Company in early years. To address this risk, the Funding Agreement makes provision for the Company to seek to renegotiate, if necessary, the distribution or pattern of contributions it receives as cash or 'in kind.' As well, the Company has established a lending facility with its bank and is preparing to borrow up to \$5 million on a short term basis.

Like CWH, BHC has been established on the basis that housing it develops will be managed and maintained on a self-sustaining basis from rent revenue. Any additional capacity generated over time will be used for expansion. The BHC business model varies from CWH however, in having different rent setting and targeting policies that affect its revenue potential. The Company will not target as broad an income range as CWH. To compensate for the potential reduced revenue that could result from greater targeting, along with other objectives (see below), rent is being set on a fixed below market basis. According to original modelling undertaken for the Department of Housing, the proposed approach to rent collection has the potential to provide additional revenue (compared to a public housing model) estimated at around \$16 million (NPV) for about 600 units of accommodation over 50 years. This modelling is based on the assumption that Commonwealth Rent Assistance policy will continue to operate on a similar basis to the present. This seems unlikely over such a long period. Thus, BHC's business model – i.e., one dependent upon a recurrent subsidy externalised through Commonwealth payments

59 BHC intends to operate within a 7 kilometre radius of the centre of Brisbane.

60 Decision making in BCC is through Civic Cabinet.

61 Funding for the Company is from State sources and is additional to State matching requirements under the Commonwealth State Housing Agreement.

to tenants – is subject to the risk that any cuts to that benefit will impact adversely upon the affordability of rents charged by BHC for low-income clients, and/or on the viability of their housing management operations. On the other hand, as discussed earlier, CWH's income based rent setting model has exposed them to the risk of revenue uncertainty as tenant incomes and the income mix changes. As discussed further in chapter 5, revenue risks are inherent in all affordability driven housing models.

The original modelling of program outputs that BHC potentially could achieve included a share of revenue from state land sales (\$20 million over 10 years) and developer contributions for affordable housing (\$12 million over 12 years), to be levied on residential and commercial development in the BCC area subject to the Queensland Government passing necessary legislation. Developer contributions have not been mandated, however, and thus only voluntary contributions can be drawn in.⁶² In addition, a policy decision on land sales revenue has not eventuated, and any funding from this source will be determined by negotiation on a site-by-site basis. As the amount of revenue from these sources remains uncertain, it has not been factored into the current business plan. Based on levels of funding secured since BHC commenced business, the Company's business plan provides for production of at least 400 dwelling units over the next 4 years.

The Company also has the power to raise debt finance, and gearing of up to 20 per cent was allowed for in initial modelling. That estimate of capacity to gear was derived after consideration of the Company's achievable rental revenue and the projection of its total long-term operating and asset management costs, in context of BHC's aspiration to continue to provide affordable housing for low income households. Projected operational constraints of the Company in its early years will limit its capacity to service debt, however.

Overall, under the funding arrangements that are currently in place, the BHC funding model is based predominantly on public sector equity contributions, noting that one sixth of these were sourced initially from outside state government. However, the Company has more flexible rent setting options and it can access additional benefits not available to the public provider: notably a wider range of tax concessions, CRA paid to tenants and tax-exempt donations.

Governance and accountability

The Brisbane Housing Company is structured as an independent not for profit company with two classes of shareholders. Ordinary shares are held by the Queensland Department of Housing (2 shares) and Brisbane City Council (1 share). The ordinary shareholders have issued community shares to 15 organisations from a number of sectors with an interest in affordable housing.⁶³ For each share that they hold, the ordinary shareholders appoint one Director to the Board. They also jointly

⁶² BCC has received some voluntary developer contributions in return for planning concessions, but had not passed these to BHC at the time of writing.

⁶³ The sectors are community housing, housing/building industry, tenant advocacy, community welfare, service agencies, religious or charitable agencies, academic institutions and financial agencies.

appoint a Company Chair, who can be either an additional Director or one of the appointed Directors, making 3 or 4 Directors in total appointed by the government shareholders. The community shareholders together elect a further 5 Directors to the Board, which is responsible for managing Company business on a year-to-year basis. Forming part of the Company's constitution, a Shareholders Agreement requires each Director, whether appointed or elected, to have "expertise relevant to financial or social housing management, preferably in at least one of the... areas of community welfare, housing development and procurement, law, social policy development, accounting, asset management or human resource management." All Directors are eligible for remuneration "in a manner decided by the ordinary shareholders." (BHC, 2002c)

The BHC model has been thought through very carefully, to attain perceived and actual independence from government and to secure the support of stakeholders. As shown in Figure 4.2.3, government objectives to leverage additional funding for affordable housing dictated an arms length delivery model. To ensure that tax exemptions and charitable donations could be accessed, a not for profit structure where government did not exercise control was necessary.⁶⁴ To compensate for the loss of government control, the Company's governance rules and founding documents were structured to achieve robust accountability, equivalent to that applying to state housing agencies – both for financial activities and performance against intended housing outcomes (DOH (QLD), 2003).

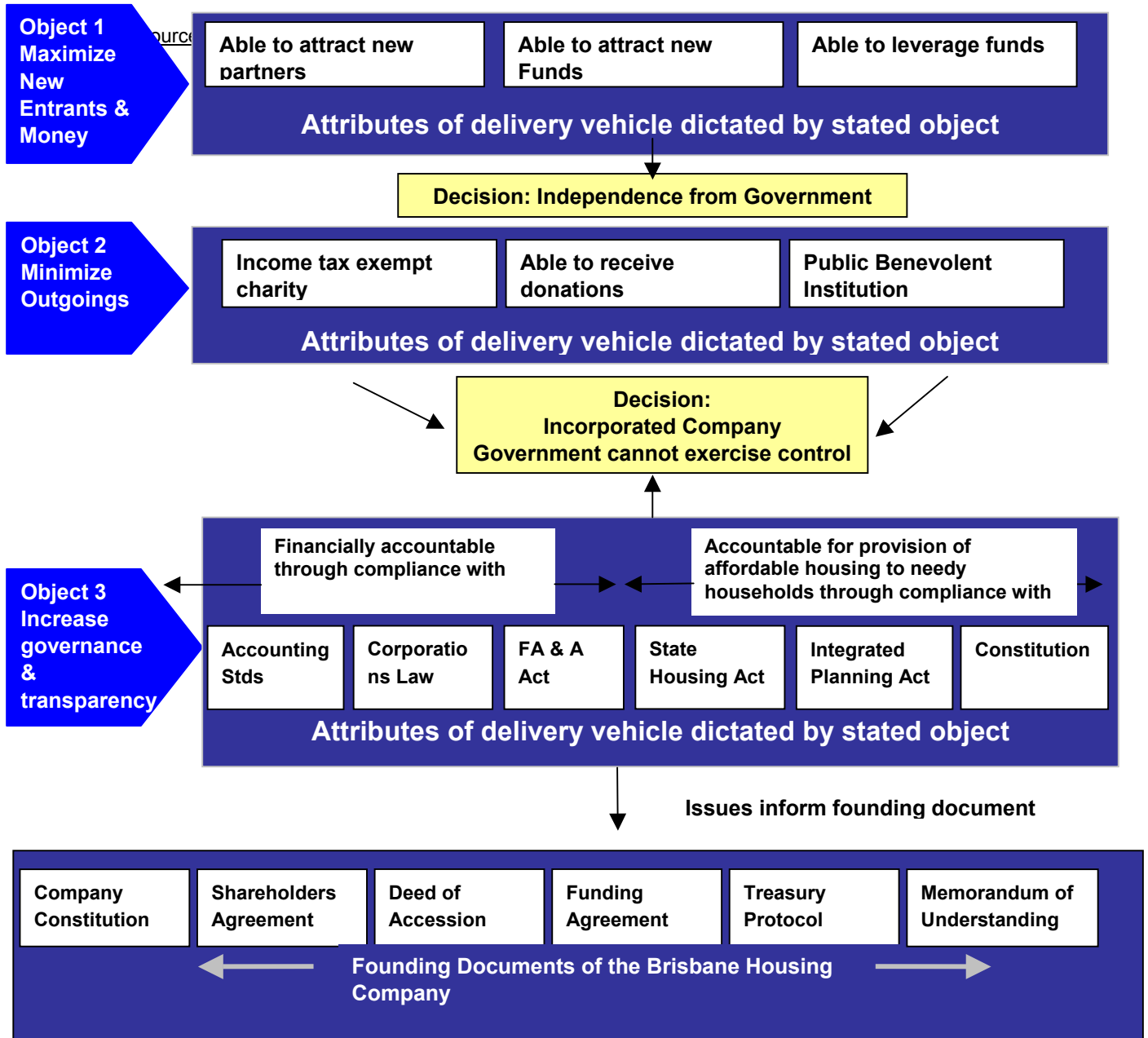
Overview of operations

Brisbane Housing Company's products are described as affordable housing and boarding houses. BHC retains flexibility in the mix of these products that will be developed, subject to performance and demand. A boarding house component of around 25 per cent is currently anticipated, comprising single-person furnished accommodation with shared facilities (BHC, 2003).⁶⁵

⁶⁴ The reserve powers of government are more limited than in other models described in this section; for example, the ordinary shareholders do not separately approve the Company's business plan.

⁶⁵ BHC is now introducing a new design for a boarding house that includes an en suite bathroom for each room.

Figure 4.2.3: Mapping Shareholders' objectives to Decisions about Company Structure, Brisbane Housing Company



The broad target group for housing is low income people – defined as those households with housing need who are entitled to receive a Centrelink payment, and who need to live in city/inner areas. Modelling by the Company shows their products will be most suitable and affordable within that income group for families receiving more than minimum statutory benefits and low income single people, especially if the latter choose a boarding house option. An emphasis on housing single people in particular is likely to mean that BHC’s client profile will complement public and community housing profiles, in which non-aged single people are heavily underrepresented. In comparison to CWH, however, the planned client mix will not have as wide an income spread because of the use of lower income eligibility cut-offs.⁶⁶

At this stage, BHC has decided to contract out the tenancy management services of its properties, for a range of reasons including its own limited capacity and a desire to partner with established specialist housing service providers. In addition, the Company has decided not to operate a separate register for housing assistance. It instead is receiving client referrals from public and community housing agencies. These decisions effectively mean that BHC can make housing production its core business, in its start-up years at least. However, this may mean the Company is perceived as a specialist development vehicle for the public and community housing sectors, rather than as an independent affordable housing company.

In a potentially leading departure from conventional policy in Australia, BHC tenants’ rents are not being set in direct accordance with their income, as indicated above. Instead, the Company’s rent policy involves discounting rents to 74.9 per cent of market value.⁶⁷ The objectives behind this policy (and the concomitant shift away from using income related rents) include achieving a greater and more predictable revenue stream for the Company; avoidance of the employment disincentive associated with income related rents and simpler administrative processes. To maintain affordability objectives, the Company aims to ensure that low income households will not pay more than 30 per cent of their income in rent: to this end they have instigated a performance measure that no more than 20 per cent of all BHC tenants pay more than 30 per cent of their income in rent (BHC, 2003).⁶⁸ Unlike for CWH, these are aspirational goals rather than firm policy. It was too early in BHC’s development for this study to assess the impact of their rent setting approach on key areas such as: access for different client groups, affordability outcomes for different classes of tenants, and the Company’s financial position. However, preliminary modelling by the Company suggests that on the basis of

66 Two factors appear to have influenced the income constraints set for tenants: expectations in government that all government supported housing assistance should continue to be targeted to the neediest, and the aim to ensure a favorable tax ruling on the Company’s charitable status, which requires that activities must be related to the alleviation of poverty.

67 This cap relates to requirements of the Australian Tax Office (ATO) for recognition as a Public Benevolent Institution (PBI) and as a tax-exempt organisation (Income Tax Assessment Act, 1997).

68 BHC intends to review tenants’ rents annually and move those tenants who obtain a higher income to full market rents. If such tenants are retained, a subsidiary may be established to deal with any negative impact on the tax concessions available to the Company linked to rent levels being less than 75 per cent of market rents.

current incomes and market rents, BHC will be able to offer rents below the 30 per cent benchmark to most household types; except young single people who receive very low statutory incomes, and single parents who need larger housing at a cost that is high relative to the statutory income they receive.⁶⁹ BHC acknowledges that their forecast affordability outcomes may not occur in areas with high market rents, and that they may not be sustained if rents rise faster than tenant incomes (BHC, 2003).

At the beginning of 2004, the Company owned 3 completed projects, one of which was constructed by the DOH prior to BHC's establishment and transferred to them in 2003. The projects comprise 101 units of accommodation, including 29 boarding house rooms⁷⁰. Five other projects totalling 157 units, of which 43 are boarding house rooms, are at detailed planning, approval or construction phase.

The experience of the Company so far suggests that an intergovernmental special purpose vehicle with an active, development-oriented Board can generate a variety of development opportunities. For example, BCC has been instrumental in ensuring that a Council site is being sold with a requirement for an affordable housing component (50 units) to be developed by the Company at no land cost. Recently the Queensland DOH has also passed over development of a site they own to BHC, because the Company has lower development costs, arising from GST exemptions and their capacity as a private company to operate outside of government procurement constraints.

The opportunistic directions being pursued by BHC contrast somewhat with the record of the longer-established City West Housing, which has not chased development opportunities outside its original program. Factors that may have reduced CWH's flexibility include: restrictions placed on them by government initially (in particular, location and product restrictions); lack of involvement of the local government authority and passive state government shareholders. With the exception of the Green Square initiative, government shareholders appear not to have expected CWH to extend its operations, increase its leverage, or collaborate with other players. In these circumstances, and mindful of its close relationship to government, CWH's Board has adopted a risk averse stance.

4.3 Independent and community affordable housing agencies

The five agencies described in this section have become involved in the acquisition of housing through their own initiative, either to support a broader role in housing management and service delivery or as the specialised focus of their business. Three further agencies with an interest in affordable housing were also consulted during this study, but were found not to be developing housing at present: Metro Housing Ltd, and the sister agencies Supported Housing Ltd and Singleton Equity

69 As BHC has been the first not for profit housing provider in Australia to introduce non-income based rents, it is recommended later in the report that further research is conducted on the social impacts of this policy.

70 In this report boarding house rooms have been counted as single units of accommodation.

Housing Ltd. The situation of those three cases and lessons arising from their experience are detailed in Appendix C.

4.3.1 City of Port Phillip / Port Phillip Housing Association (Inc.)

Foundation and history

In 1985, the former municipality City of St Kilda (also the City), established a community housing program to respond to the impacts of gentrification on available low cost accommodation in the St Kilda area, an inner beachside suburb of Melbourne. In 1986 the City formed the St Kilda Housing Association, a not for profit organisation incorporated as an association, to act as the tenancy and property manager for housing acquired under the City housing program. Following the amalgamation in 1994 of the Cities of St Kilda, South Melbourne and Port Melbourne to form the City of Port Phillip (also the Council), the program has broadened to include projects across the new larger municipality. In 2001, the St Kilda Housing Association changed its name to the Port Phillip Housing Association (PPHA or the Association) to reflect this change in operating area.

The purpose of the Council's housing program is "to provide secure, affordable and appropriate community rental housing for local residents with long term links with the area and who are eligible for public housing." The program is seen by Council as a means to "augment the State's role in providing public housing" and as a means of "supporting social diversity, inclusiveness and a charitable response to social disadvantage" in the local community (CPP, 2000).

Council has identified four distinct phases through which the housing program has expanded. These phases have responded to different funding opportunities, and are characterised by various strategic and financial approaches (Table 4.3.1). In total, 16 housing projects with a total capacity of 459 units have been completed under the program since 1985. Ownership and management arrangements have evolved over the duration of the program. Today, City of Port Phillip owns 254 units⁷¹ and PPHA owns 78 units in two complexes; all of those units are managed by PPHA. The Association manages or has nomination rights to a further 65 properties, which are owned by the state government. The remaining 62 units are managed as public housing. In addition to the above, 103 units are under construction or at statutory planning stage.⁷²

71 The majority of these projects are subject to long term JV agreements with the OOH.

72 All figures in this paragraph compiled from PPHA (2003) and are subject to subsequent program changes.

Table 4.3.1: Port Phillip Housing Program 1985 – 2004

Phase 1 1985/85-88/89	Individual joint venture projects under CSHA community housing programs
Phase 2 1989/90-1993/94	5 year joint venture Housing Plan with Victorian housing authority
Phase 3 1996/97-1998/99	Partnerships and joint ventures with the private sector
Phase 4 2000/01-2004/05	Joint ventures with Victorian housing authority with a focus on development on under-utilised State and Council land, including air space

Source: CPP, 2004

Funding arrangements for the development of housing projects

Council's financial strategy has centred on leveraging funds for housing from State and Commonwealth housing programs, using its own land and capital resources. In later phases of the program's evolution, increasing attention has been given to the potential for partnerships with private developers, extending the variety of housing models such as by integrating social and private housing in one development. An example of this approach, the Inkerman Oasis development in St Kilda, is considered in more detail in Box 4.3.1-1.

For completed projects and those confirmed for commencement up to the end of 2003/04, Council has provided a contribution (including land value) of \$13.76 million or 31.4 per cent of total project costs. Under various housing programs, this has attracted State government contributions of \$24.77 million (56.5 per cent) and Commonwealth contributions of \$2.07 million (5.7 per cent). As greater economies of scale have been achieved and revenue surpluses have developed, PPHA has itself been able to contribute \$3.22m. Overall, therefore, every \$1 contribution from Council has leveraged \$2.18 from other (mostly state government) sources (City of Port Phillip, 2004). Total housing assets generated under the program are valued at \$68 million in 2004. In addition, projects that are proposed or under construction have an estimated value of \$12 million (personal communication, City of Port Phillip).

To enable them to commence their own property development program, PPHA has established a Community Housing Reserve using funds set aside from its annual operating surplus. At June 2003, the reserve fund had a balance of \$6.5 million, including a transfer of just over \$1 million in retained earnings for the 2002/03 year (PPHA, 2003).

Governance and accountability

The Port Phillip housing program is managed as a partnership between the City of Port Phillip and PPHA. The partnership is characterised by a clear and simple division of roles and responsibilities. Council is responsible for developing housing policy, providing capital funding, contracting a construction agency and undertaking project management. Unlike other development agencies described in this chapter, Council does not receive a GST exemption for development it undertakes. The Association, which does have tax exempt status, is responsible for client selection

and for undertaking all property and tenancy management. The two agencies work together closely at both strategic and operational levels to ensure the effectiveness of program outcomes.

Box 4.3.1-1: Inkerman Oasis Development, St Kilda, Victoria

Proponent	City of Port Phillip
Description	6 x 3-5 level buildings: 237 residential units & 3 retail suites
Site	Former municipal depot site (1.223 ha), St Kilda – inner Melbourne
Vehicle for development	Private developer under contract to Council, stipulating social housing requirements and other design and ESD elements. Council-prepared master plan basis for tender.
Development Components	<p>\$50m development</p> <p>32 social housing units of 1,2,3 & 4 bedrooms for aged people, youth, single people, disabled people and families (13.5% of total).</p> <p>13 aged units are clustered, other social housing units dispersed.</p>
Project details and financial arrangements	<p>Master planning and site remediation (\$1.7m fixed price) lifted value of site from \$5.2m to \$7.5m.</p> <p>28 community housing units valued at market price fixed at the time of the contract plus a cash adjustment (\$0.6m) returned to Council by developer in consideration for land value.</p> <p>Commonwealth grant (\$0.27m) for recycling.</p> <p>Remainder private finance.</p> <p>Did not require government capital for construction of social housing component.</p>
Design concepts	<p>Medium and high density development based on high quality urban design, best practice ESD features and integrated art.</p> <p>1 architecturally significant building recycled.</p> <p>Mixed social and private housing development.</p> <p>Social housing designs allow for some internal differences but are indistinguishable externally.</p>
Management	<p>PPHA to manage 28 Council owned units</p> <p>Office of Housing 3 units</p> <p>Supported Housing Limited 1 unit</p>
Planning, development and marketing milestones	<p>Site master plan and rezoning 1998-2000</p> <p>Site remediation 1999</p> <p>Contract of sale June 2000</p> <p>Stage 1 construction December 2000 - 2003</p> <p>Stage 2 construction to commence 2004, completion 2005/06.</p>
Leverage	<p>Improved land value directly linked to social housing yield</p> <p>Increase in value of social housing since contract of sale</p>

<p>Economic costs and benefits</p>	<p>Council influence led to stronger ESD focus.</p> <p>Master planning process built support in Council for proposed building heights and density levels.</p> <p>Inclusion of social housing built by private developer at fixed cost in a high quality private residential development.</p> <p>Original master plan envisaged up to 30 additional (to Council funded) units of social housing but developer concerns with feasibility led to reduction to 12. Only 4 have been achieved due to lack of social investors.</p>
<p>Risk management</p>	<p>Site too large for Council to develop. Full development risk borne by private developer.</p> <p>Contract of sale fixed price for social housing units.</p> <p>Lack of identified capital funds for social housing and developer pressure reduced yield from 25% target to 13.5%.</p>
<p>Awards and nominations</p>	<p>Stockholm Partnership for Sustainable Cities Award, 2002 (One of 13 international winners).</p> <p>Nomination as a Green Building, Oslo, Norway 2003 (one of 2 Australian nominations).</p>

Sources: City of Port Phillip (2003) Inkerman Oasis Development, unpublished paper, April 2003; and interview with Housing Development Officer, City of Port Phillip, January 2004.

The PPHA's Board of Management includes 2 Directors appointed by Council (previously 3). Association members elect other Directors. All Directors act in a voluntary capacity.

Council owns 55 per cent of the housing it has initiated to date through the program, either as sole owners or under joint venture agreements. The Management Agreement for each project is used by Council (the property owner) as the primary risk management tool. Key features of a typical agreement are summarised in Box 4.3.1-2.

Box 4.3.1-2: Management Agreement (the Agreement) for properties owned by the City of Port Phillip(Council) and managed by Port Phillip Housing Association Inc. (PPHA)

- Once development is complete, PPHA is appointed as managing agent for the project.
- The Agreement sets out PPHA's property and tenancy management responsibilities.
- PPHA is given power of attorney to enter into leases of properties in the project on behalf of the owner (Council).
- PPHA is required to maintain a register of prospective tenants and to select each tenant on the basis of being most eligible at the time. Eligibility of applicants is determined with reference to both the requirements of State managed public housing, and applicants having significant links to the Port Phillip area.
- Council lets PPHA retain all rental income from the property in return for Council having no liability for management or operating costs, including rates, insurance, recurrent or responsive maintenance, cyclical maintenance, and upgrading (except for specified capital improvements). Any surplus revenue can be used to further the aims and objectives of PPHA.
- The Agreement and an associated Deed of Consent seek to ensure compliance of PPHA with the terms and conditions of any Funding and Service Agreements between Council and the project funder, usually the Office of Housing.
- PPHA must unconditionally indemnify Council against all actions, claims, costs and damages arising from PPHA's breach of the Agreement with Council. Significant causal events might include damage to property, injury to persons, and nuisance to other tenants and/or Council. Similarly, PPHA must indemnify Council against all actions, claims, etc. caused by PPHA's breach of Funding & Services Agreements as specified in the Deed of Consent.
- Council has significant powers to terminate the Agreement. Reasons might include unsatisfactory performance of PPHA not rectified within 3 months of notification; actions leading to the investigation and/or possible bankruptcy, wind-up or insolvency of PPHA; and unilateral actions by PPHA to change its governance structure (CPP/PPHA, 1998).

A proposal to establish a property owning Trust as a subsidiary of PPHA is currently under active consideration. Simultaneously, PPHA is considering enhancing its governance to corporation status. The Trust will be structured to be eligible for tax concessions, to accept charitable donations, and to capture benefits of not for profit development for the program, thereby enabling tax effective development to be undertaken in future. The proposed arrangement is expected to overcome some limitations and risks arising from Council being a developer and project manager, while, at the same time, reducing political risk associated with possible future shifts in the composition of Council. The Trust will also be able to become party to arrangements that, under its governing legislation, Council is prohibited from entering; such as joint ventures with the private sector and raising private finance. This will bring the model more into line with government-founded private companies (CWH, CHC and BHC). From another perspective, creating a separate development and asset holding vehicle will alleviate a perception, engendered under the current model, that there are potential conflicts between Council's planning approval role and its development activities. Advocates of a Trust model argue that it will offer the high degree of protection for government funded assets that governments are looking for, while, in this case, enabling an existing community housing organisation

to apply its expertise in tenancy services; and to achieve economies of scale benefits through continuous expansion of its services.

In comparison to the government-founded agencies already described, the Port Phillip partnership is a simpler and more conventional delivery model. State government acts as a funder and regulator but has no governance role in the development and service-provider agencies. Accountability to the state government is through conventional service and funding agreements. As for all other agencies described in this section, active monitoring of compliance by the state has been directed toward the project development phase, and is thus linked to the approval of capital funding, more than across the life of the asset.

While it has a successful housing program, City of Port Phillip represents one of only a handful of exceptions to the Australian norm that local governments do not fund housing programs. Widespread replication of this particular investment model therefore is unlikely. In contrast to many overseas jurisdictions, Australian local governments are not responsible for providing subsidised housing; and most lack the political will and administrative experience to move into the area without strong incentives and support being offered (Spivak, 1999b). Nevertheless, faced with intensifying housing problems in their local communities, an increasing number of local governments across Australia are showing greater interest in contributing to affordable housing development through a range of initiatives in partnership with other players (see Section 4.4.3).

Overview of operations

The City of Port Phillip housing program has a balance of housing types. It comprises about 28 per cent rooming houses; 15 per cent bed-sitter units; 38 per cent one bedroom units; and 29 per cent larger units. Over 50 per cent of tenants are single men, both aged and non-aged. Over 90 per cent of tenants receive their primary income from Centrelink, with the three largest income groups being Aged/Veterans pension (32%), Disability Support pension (28%) and Newstart Allowance (20%) (PPHA, 2003).

Traditional public housing eligibility and rent setting policies are enforced through service agreements negotiated under various historic housing programs from which project funding has been drawn. In addition, applicants for housing must demonstrate local connections to be registered with PPHA. A points system is used to prioritise allocations of households across eligible target groups (see Milligan *et al.*, forthcoming). Partnerships with local support agencies are in place to support the significant share of tenants with special needs. Under the property management agreements, PPHA has total responsibility for the long-term management of Council's assets. This has necessitated development of a robust asset management capacity. PPHA employs an asset manager and maintenance officer in-house. They have developed a planned 42-year maintenance program for each property and have established a capital asset management reserve. Through their partnership with Council, they are involved actively in the design stage of each project to ensure their tenancy and property requirements are met.

Over time, Council has considered a number of project development models, not all of which have been applied. The models seek to create a range of opportunities for obtaining affordable housing in the absence of forward-funded programs, such as those applying for City West Housing and Brisbane Housing Company. The generic models agreed by Council include:

- a) To develop Council property or acquire private property for community housing;
- b) To transfer Council land to a developer and receive community housing in consideration for its value;
- c) Sale of Council owned land and use of the proceeds to fund community housing on- or off-site;
- d) Council undertaking mixed private and community housing development, using the profits of the sale of housing to fund the retained component;
- e) Buying into a private development to obtain community housing (CPP, 2000).

The application of model (b) above to the Inkerman Oasis development is set out in Box 4.3.1-1 (above).

4.3.2 Perth Inner City Housing Association Inc.

Foundation and history

Perth Inner City Housing Association Inc. (PICHA or the Association) was incorporated in 1987 and now trades as City Housing. The impetus for the agency grew from a lobby group (Perth Inner City Helping Agencies Inc.) that was concerned with the rapid loss of low cost lodging housing occurring in inner areas of Perth, due to development and gentrification processes and the impacts of tourism. The agency's initial services were centred on the refurbishment and management of lodging houses in the inner city.

The focus of PICHA was broadened gradually and, in 1993, the first apartment development was undertaken on land granted by the West Australian Lotteries Commission. Funding for construction was provided under the former Local Government and Community Housing Program. In 1996, the Association decided its long-term aim would be to develop its asset portfolio.

Funding arrangements for the development of housing projects

The main source of funding for projects developed by PICHA has been capital granted under joint venture and community housing programs managed by the WA Department of Housing and Works (DHW). Under that program framework, PICHA has led the way in WA for non-government organisations to become equity partners in community housing projects. To obtain equity in its developments, PICHA has invested small amounts of cash surpluses arising periodically from its operational returns; i.e., revenue from housing services and fees collected for other services it provides. PICHA has also secured some private finance for each development. The agency's small scale of operations and limited capacity, however, plus the small

amount of project funding it can attract under existing program levels, have resulted in a slow build-up of equity. Since 1996, PICHA has made a total equity investment of around \$1.3 million in 4 joint venture acquisitions (1 construction, 3 purchases) of 75 units with a total price of over \$5 million. Over 80 per cent of the Association's equity share (\$1.1 million) has been secured through bank loans.

Under the WA joint venture model, DHW takes security over its investment in a development for an initial 25-year period. After that time, incentives operate to encourage the joint venture partner to renew the agreement. Each party's equity share is recalculated on the basis of current market value for the (initial) contribution. Consequently, the equity share of the land-owning party appreciates while that of the non land-owning partner depreciates. In most joint ventures in WA, the non-government partner is the land owner, while the Department funds construction costs. Hence the operation of the WA joint venture model means associations like PICHA can boost their portfolio of houses in future, as existing joint ventures mature. (DHW, 2001).

The strategy developed by PICHA that has assisted them and other agencies in Western Australia⁷³ to contribute to project equity through borrowings has been a tripartite deed of agreement negotiated among the community housing agency, DHW, and the lender. Referred to as a 'Put Option', the deed has been accepted as a policy instrument by DHW under its joint venture guidelines. Lenders are offered the comfort that the Department has first option to purchase the property in the event of either mortgage default or breach of the JV agreement by PICHA. While this does not represent a guarantee as such, and possibly could not be replicated on a larger scale, it has provided the assurance necessary to attract the confidence of bank lenders and has facilitated small community housing providers being able to secure private finance in WA (PICHA, 2002).

Governance and accountability

PICHA is incorporated as a not for profit association. It is a member-based organisation with membership applications approved by the Board. There is no government involvement in governance arrangements. Only individuals are admitted as members and the base has generally been small. Traditionally, members have elected the Directors. In keeping with its strategic aim to expand its asset base, PICHA changed its constitution in October 2000 to allow for 2 Directors to be appointed to enhance the Association's expertise in project development, in addition to the existing 7 elected Directors.

The current Directors of PICHA have a range of professional skills consistent with many of those specified for other agencies in this report. Directors can be remunerated. The Association has ITEC and PBI status and is GST exempt.

⁷³ Following PICHA's success in obtaining private finance for an equity share in joint ventures and the acceptance by the Department of Housing and Works of the deed of agreement to mitigate the lender's default risk, several existing community housing organisations in Western Australia have used this model to obtain one or two units of housing. However, no agency has achieved any significant scale of development because of overall lack of funding to support their growth.

Accountability to government operates under conventional guidelines and contracts for government funded housing programs, and under the Associations Incorporations Act.

Overview of operations

PICHA is a diversified housing agency managing 265 units of crisis, transitional and long term housing. It is funded under a range of CSHA, SAAP and Disability programs.

The long term housing services provided by PICHA generally operate in accordance with policy that applies to public housing in WA. PICHA exercises some discretion over housing allocations to units it owns through its own endeavours, but this discretion has not been used to any great extent to achieve a wider income mix among its clients. Rent setting is a mix of income based and fixed price, and Commonwealth Rent Assistance received by tenants is collected where possible.

Recently, PICHA decided to use some reserves to employ a part-time project officer to enhance the organisation's capacity to identify and package opportunities for developing additional projects. Through this and other approaches, they are attempting to strategically position themselves to become a key provider under the WA Government's 'Community Housing Strategic Plan (2003-2008)' (see Section 2.6).

4.3.3 Community Housing Ltd

Foundation and history

Community Housing Ltd (CHL) was incorporated in Victoria in 1993 as a new, not for profit housing company limited by guarantee. The Company was founded by members of an existing agency, the Common Equity Housing Ltd (CEH), a program based provider of community housing in Victoria established in the 1980s. The new company was established to promote innovative products and services that were different from the core business of CEH, with a specific interest in housing for disabled people. While small scale at first, the Company expanded and diversified over the 1990s, especially after being contracted to provide transitional housing management services. However, the core focus of its business is the management of long term sustainable and affordable housing.

Funding arrangements for the development of housing projects

The Company commenced designing housing specifically for people with disabilities under contract to the Victorian Government in 1995. In 1998, the Company developed a construction capability to give it greater control over the timing and quality⁷⁴ of housing being produced from its designs, and to enable it to experiment with building housing to create additional capacity for the organisation. To achieve viability for its project management and construction division, the Company has tendered for housing development or renovation projects from various housing agencies including the Victorian Office of Housing, the Aboriginal and Torres Strait Islander Commission, private developers, local government, and other not for profit organisations. A key boost to CHL's viability as a construction agency arose from the introduction of the Social Housing Innovations Project in Victoria in 1999 (see Section 2.6). Subsequently, Community Housing Ltd has actively facilitated, brokered and developed 16 SHIP projects across Victoria, providing a total of 79 dwellings.

Unlike for the government-established companies described in the previous section, CHL has not been funded for costs of setting up its development capacity. It has built up this role using accumulated cash reserves, (small scale) entrepreneurial activities such as some speculative building, profits made on development contracts and, where necessary, making a call on approved borrowings to support cash flow for any unfunded initiatives. Once approved for funding, most development undertaken by CHL is fully funded by capital, land and 'in kind' contributions of the government and non-government equity partners.

Governance and accountability

Community Housing Limited is a member-based organisation. Its constitution normally allows for 50 members, either individuals or partner organisations, to be appointed by the Board at their complete discretion, provided they comply with requirements laid down in the constitution. The members appoint a Board of up to 7 Directors. Requirements for appointment as a Director include "having relevant skills, amongst others, financial, legal, project management, strategic management or community housing management skills" (CHL, n.date). Directors can receive remuneration, although in practice this has been nominal. The Company receives similar tax benefits to the other not for profit agencies described in this section.

Overview of operations

Community Housing Limited operates a diversified housing service, principally comprising transitional and long term housing management plus development, design and construction services for housing projects. It is a comparatively large agency in its sector, employing 38 full time equivalent staff, of which six (3 architects and 3 construction managers) are in the development division. Its management and development activities involve about 650 properties, comprising over 900 tenancies

⁷⁴ A key reason for the Company seeking to control its own housing development process was to ensure that housing under its management could be maintained over the long term on a cost effective basis.

across Victoria. Of these, nearly 300 are long term tenancies. CHL has over 60 active partnerships, mainly with local government and other community-based organisations. The Company acts as a developer for other housing managers, and develops and/or leases stock for its own programs. It has retained ownership of 25 properties. Because some of the development activity has been undertaken to help sustain the Company's development arm and to add to retained earnings, not all housing developed by CHL remains long term in the affordable housing sector.

Overall the Company has developed around 200 properties, and currently has close to 50 under construction (mainly in small projects) across the state. During the 2002/03 year, over \$2 million worth of construction projects were completed and a further \$3.6 million worth were under construction. CHL currently is managing the most housing development projects at one time of all agencies studied in this research. As discussed, developments are undertaken for the Office of Housing, Indigenous housing organisations, local government and the private sector. Surpluses from all development and project management activities are used to expand the housing services of the agency. In 2002/03, retained earnings of the Company amounted to over \$0.476 million, nearly a ten-fold increase on the previous year (CHL, 2003).

In comparison to a smaller provider (such as PICHA) or a specialised development agency (such as ECH; see below), the economies of scale achieved by CHL through its integrated business model and growth over a decade have given it more capacity to support its development function. Nevertheless, the current development activity level of the Company is sub-optimal; and the CEO considers at least 200 dwellings a year would be desirable to deliver some economies of scale, given CHL's geographic base.⁷⁵ Accordingly, CHL has applied for preferred provider status under the Office of Housing's new affordable housing strategy. The Company hopes that such recognition, if achieved, will enable it to sustain its development capacity by giving the organisation a higher profile and enabling it to engage more partners from the private, local government and not for profit sectors. This direction also will enable CHL to emphasise its role in the development and management of long-term affordable housing.

Until now, policies applying to the Company's services have been driven mainly by the requirements of OOH. To receive assistance, clients must be eligible for public housing. Thus, mixed income developments have not been attempted. Client groups include youth, singles, the aged, families and people with psychiatric, intellectual or physical disabilities. Rent setting policy is flexible: it is based either on 25 per cent of household income plus any rent assistance received by the client, or on a discounted market rent depending on the locality, client group and type of service.

A rental brokerage service was approved for funding in 2002/03 and a shared equity product is under development.

⁷⁵ Operation in the Melbourne metropolitan area could reduce this requirement to less than 100.

4.3.4 Ecumenical Community Housing Ltd

Foundation and history

Ecumenical Community Housing Ltd (ECH or the Company) was incorporated in 1999 as a not for profit company limited by guarantee, to facilitate the development of affordable housing in partnership with the Churches of Victoria and, to a more limited extent, with other (secular) community housing organisations and private sector partners.

The establishment of this agency followed nearly two decades of involvement by Victorian church organisations in undertaking joint ventures in community housing with the Victorian Government, through the Office of Housing and its predecessors. Many of these projects were developed by Ecumenical Housing Incorporated (EHI), a predecessor of ECH established in 1985 to facilitate joint ventures between local churches and the State government and to undertake research and advocacy on housing issues for the Churches of Victoria. In 1992, EHI established the Ecumenical Housing Trust (EHT) as an ownership vehicle for housing secured under community housing programs where church or community partners contributed no equity. The foundation of ECH enabled, among other things, a separation of the research and advocacy roles of EHI from the project development focus of EHT.⁷⁶

On establishment, ECH was described as a specialised development, ownership and management vehicle aiming to increase the supply of affordable housing in sustainable communities for low income households, with direct ownership of assets. ECH also took over the Trusteeship of EHT, thus becoming the legal owner of assets previously developed by EHI.

For reasons discussed further later in this chapter, ECH merged its business with another agency (the Inner City Social Housing Company) to form Melbourne Affordable Housing (MAH) on 1 July 2003. Following completion of its last construction project, ECH has been legally wound up. Projects under development and/or management by ECH have been transferred to MAH or, in one case because of historic connections, to another agency. Melbourne Affordable Housing also has become the trustee of remaining assets held in the EH Trust (see below).

Funding arrangements for the development of housing projects

Ecumenical Community Housing and its predecessor, EHI, experimented with a range of ways to make housing development projects feasible. Under the influence of different government funded program structures, their adopted approach evolved over time. Typically, however, the process has involved: developing a concept for a project on an identified site, determining the initial feasibility of the project, brokering possible partners and funding sources, achieving provisional approval for funding, finalising a project brief, securing funding, and submitting it for development approval. Along the path, any changes to the project required by any of the funders or partners, or by the development approval agency, are costed and negotiated.

⁷⁶ Ecumenical Housing Incorporated ceased operations in 2002.

Once received, project funding usually has been a blend of government funds (of between 50 and 70 per cent of project costs), land made available by a church or community organisation, and philanthropic donations often targeted to support an aspect of project design (such as the infrastructure for ancillary services or support services).

Because of their one-off nature and multiple funding sources, projects tend to involve complex, intensive and drawn out negotiations that are costly to pursue. Time delays themselves produce cost overruns, which then require supplementary funding bids. The history of one project undertaken by ECH reveals time-cost problems with the model, as set out in Box 4.3.4.

While a range of factors contributed to the decision of the ECH Board to propose a merger with another agency, they considered their business model was *not* viable from a development perspective. The following contributing factors have been identified:

- The cost of carrying a development capacity in an agency that was not capitalised and did not have a sufficient revenue base;
- The cost of delays associated with the approval process for project funding;
- Often lengthy planning approval processes;
- Small scale of operations, thus reducing cost effectiveness;
- Cost increases over the course of project development that could not be covered since funds had been allocated by government on a different (prior) cost basis;
- The organisation's Church base had driven ECH's focus toward the high cost end of service delivery because housing was being targeted at very disadvantaged households, many of whom needed ongoing support; and
- Declining capacity and/or willingness of local church agencies to provide development sites or, alternatively, capital investment.

Comparing the business and governance models of ECH with those of successful housing development companies already described shows that viability problems faced by ECH can be attributed largely to the absence, in their case, of *all* of the following factors:

- The Company did not have capital funds to invest in projects;
- The cost of project development could only be recovered if a project was secured;
- The Company could not make independent decisions (without reference to the funding authority) about proposed projects; and
- The Company had no other revenue sources and, therefore, no capacity to cross-subsidise its development function.

Box 4.3.4: Kew project, Ecumenical Community Housing

This is the story of a 14 dwelling development by Ecumenical Community Housing at Kew in Melbourne on land originally owned by the Uniting Church of Australia (UCA). The abbreviated timeline below shows delays experienced as a result of community opposition and a trip to the Victorian Civil and Administrative Tribunal (VCAT). These delays required ECH to go back to their funder (Office of Housing) and various philanthropic bodies to seek further funds. The delays occurred at a time of rapidly rising building costs. Note that construction commenced 4 years and 5 months after the development process started. Over the course of the project the costs rose from an initial estimate of \$980,000 to a final cost of \$1.7 million.

Date	Category	Event
Late 1998	UCA Discussions	Discussions commence in earnest with UCA
08/99	OOH Funding process	Funding approved
12/99	Town Planning	Town Planning application lodged
01/2000	Town Planning	Additional information requested by Council is supplied
04/2000	Town Planning	Meeting with Town Planning staff to discuss objections
05/2000	Town Planning	New drawings lodged
06/2000	Town Planning	Public meeting arranged by Council
08/2000	Town Planning	Notice of decision issues
09/2000	Town Planning	Notified of VCAT appeal
11/2000	Town Planning	VCAT Hearing
2/2001	Town Planning	Council Planning Permit Issued
03-07/2001	Supplementary Funding	Seek further funding
09/2001-01/2002	OOH Funding Process	Discussions about cost increases
03/2002	OOH Funding process	Tenders received
04/2003	OOH Funding process	Successful tenderer advised
05/2003		Construction commences

Note: The development has recently been completed.

Source: Interview with ECH staff; internal records.

Governance and accountability

Members of ECH were representatives of the main denominations comprising the Victorian Council of Churches, plus an officer of that body. From 2001 until its merger with MAH in 2003, ECH had a small skills-based Board of 5 Directors who were appointed by the members, taking into account the mix of skills and experience required by the agency.

An innovative feature of governance arrangements for ECH (and its predecessor EHI), which has been replicated in the case of MAH (and its predecessor ICSHC), is the use of a separate Trust entity to hold assets generated by the development activities of the company (see Section 4.3.5 below).

Overview of operations

At the time of the merger with ICSHC, ECH was involved in 6 joint venture projects expected to yield 69 units of accommodation. A number of other joint ventures with both public and private sectors were under development, but were not secured. The portfolio of the EH Trust comprised 16 properties of 54 housing units developed prior to the establishment of ECH.

4.3.5 Melbourne Affordable Housing

Foundation and history

Melbourne Affordable Housing (MAH or the Company) was established in 2003 through a friendly merger between ECH and the Inner City Social Housing Company (see Box 4.3.5). The structure of ICSHC remained as the basis for the new company. The merger brought together the development experience and capacity of ECH, a more established organisation, with the property and tenancy management experience of the newer ICSHC. The Victorian Government through the Office of Housing supported the merger, at least in part because of the complementary capacity of the two parties, but did not become directly involved in the process or in the governance of the new agency.

Box 4.3.5: Inner City Social Housing Company, Victoria

The Inner City Social Housing Company (ICSHC) was incorporated as a not for profit company limited by guarantee in October 2000 as an initiative of Melbourne City Council, which also provided an initial capitalisation of \$1 million to the Company over three years (2000/01 - 2002/03).

The Company was founded to develop, own and manage social and affordable housing in the inner metropolitan area of Melbourne in collaboration with local government. However, until the time of its merger with ECH in 2003 (see above), the Company had not undertaken the development of any project, although a number of possible projects were under negotiation. At that time, ICSHC had 105 units of housing in three projects under management.

While ICSHC, unlike ECH, had been provided with some capital for its development role and to initiate projects, failure to secure more substantial public and private funding meant that development projects did not get started for the nearly three-year duration the Company operated.

Funding arrangements for the development of housing projects

Melbourne Affordable Housing does not have a nominated source of funds for housing development, apart from funds now remaining from MCC's original \$1 million grant (which amounted to \$780,000 at the end of 2003). Like its predecessors, it has to rely on bidding for grants primarily under state government community housing and joint venture programs, and on attracting donations to supplement these funding sources. This situation contributed to the lack of development activities in ICSHC and continues to be an issue for MAH. However, MAH has taken over from ECH the development of a small number of already-funded projects and secures income from the property/tenancy management services and contract services provided.

One aim of the recently executed merger has been to position MAH to become a recognised Affordable Housing provider under the Victorian Government's Affordable Housing Strategy. If this bid is successful, it will secure a forward commitment of some funding from the state government to the Company for the development of affordable housing.⁷⁷ If the bid fails, MAH is unlikely to be sustainable as a development agency based on its current level of activity.

Governance and accountability

Melbourne Affordable Housing is a member-based, not for profit company where the Directors constitute the inaugural membership. The Company's constitution provides for between 5 and 9 Directors to be appointed, initially by the Founder (Melbourne City Council) and subsequently by members. Directors must have held certain positions of high responsibility with, or have been actively involved in, one of a number of specified public roles or institutions in the areas of: parliament, medicine, the judiciary, academia, accountancy, ministry, local government, welfare services or social housing administration. The Directors of MAH are not remunerated. Following the merger of ICSHC and ECH, the Board comprised experienced Directors from both agencies. Unlike in the case of City of Port Phillip, the founding agency MCC does not have a representative 'as of right' on the Board. However, to date, an MCC Councillor has held the position of Chair.

The Directors of MAH act as the Board of Trustees for the Inner City Social Housing Fund, the Inner City Social Housing Trust and Ecumenical Housing Trust. The purpose of the ICSH Fund is to attract and hold capital, donations, and other forms of financial assistance for affordable housing in the inner metropolitan area of Melbourne. These funds can then be dispensed to other organisations that have the same objects and purposes as MAH. The purpose of the ICSH Trust is to acquire land, and to develop, manage and hold affordable housing assets alone or in partnership with other agencies, as per the requirements of the Trust Deeds. The establishment of two separate Trusts was based on tax rulings prevailing at the time of the foundation of ICSHC⁷⁸. The Trusts have PBI status, and any borrowings made fall outside of regulations affecting local government. In addition to attracting those advantages, the use of a Trust vehicle was seen as a way of establishing an appropriate arms length relationship to Council, as well as offering a high degree of security to potential donors.

⁷⁷ As discussed in Section 2.6, the Victorian government has foreshadowed that a significant share of the \$70m funding for joint venture and partnership projects in that state over the next 3 years will be targeted to up to 4 housing associations. Therefore, each association's share of funding initially is likely to be much smaller than that made available to CWH and BHC to start up their development business.

⁷⁸ As indicated in several places in this report, tax concessions potentially available to not for profit housing providers are an important part of emerging arrangements to facilitate the development of more affordable housing. However, obtaining tax rulings has been a complex and uncertain process for agencies to date. Concurrently with this study, CHFA has been undertaking a project to improve understanding in this area and relevant outcomes will be discussed in Milligan *et al.*, forthcoming.

Melbourne City Council holds reserve powers to review the operation of the 'Trustee' after 3 to 5 years from the start of operations, and to remove the Trustee if there is a serious breach of the Trust deed or if it fails to achieve its purpose. The Company is required to provide an annual report on Trust operations to Melbourne City Council.

Overview of operations

MAH has continued management responsibility for all Trust housing, and also has three ex-ECH projects under development/construction. Negotiations are proceeding on several other development sites with potential public and/or private partners, but it is too early to determine whether these projects will go ahead.

Moreland City Council has signed a Partnership Framework with MAH, committing \$1.2 million for provision of community housing in the City of Moreland. Several other Councils in the inner urban area are considering forming alliances with the Company to provide social and affordable housing in their local areas. While levels of Council involvement are expected to vary across the region, surplus properties, Council sites, planning mechanisms and possible allocation of funds for housing investment are being canvassed.

The Company's tenancy and property management policies and procedures are being developed in accordance with the National Community Housing Standards (at <http://www.nchf.org.au>). Rent setting is currently income based. However, the Company is considering a market based rent model that links with employment and training opportunities for residents.

4.4 Other initiatives and players related to affordable housing

This study has identified a number of other types of agencies that are attempting to, or could potentially play a greater role in, either implementing or facilitating affordable housing development outside the traditional public housing sector: namely, other existing community housing agencies, state government land corporations, local government (beyond those municipalities already discussed), and the private sector. To complete a picture of the emerging and potential nature of the sector in Australia, Section 4.4 looks at the general situation of these other interest groups in relation to affordable housing development.

4.4.1 Community housing agencies

The existing not for profit housing providers that have undertaken housing developments in Australia (described in Section 4.3 above) represent a tiny proportion of the hundreds of similar agencies managing transitional and long term social housing under a plethora of national, state and, occasionally, local housing programs that have operated since the early 1980s (see Section 2.2). Rather than being financed, developed and owned by a not for profit service provider, the majority of housing stock managed by these agencies is leased under limited terms⁷⁹

⁷⁹ For example, under typical leasing arrangements with either a public or private owner, the NGO manager will not be wholly responsible for the upkeep of the property.

from either private or public landlords.⁸⁰ This situation contrasts with models overseas where not for profit providers generally are responsible wholly for housing assets they own and manage, often investing their own equity or raising large amounts of private finance for that purpose. In Australia, investment in housing by existing community housing providers has tended to occur almost entirely under joint venture arrangements with state housing authorities. Such arrangements do not generally allow for further leveraging as the asset value grows.

In keeping with the history of the sector, governments mainly have seen community housing agencies in Australia as an alternative way of delivering housing services to clients of the public housing system, especially those with special needs (such as people with a disability, older people, single youth, etc.). Recently, the potential role of community based housing providers in estate renewal also has been recognised, such as through the engagement of some agencies to manage housing, promote social capital, and establish more integrated service delivery models within local publicly owned housing estates.

Community housing providers vary in size from agencies managing less than 10 properties to those with several hundred. However, the trend in most jurisdictions in recent years has been to promote larger housing associations that can achieve economies of scale, provide a mix of services (including transitional and longer term housing, with or without support) and offer a more professional approach to service delivery.

For some years, elements of the sector, especially the national and state peak bodies, have been advocating for a larger and more diverse role for community housing agencies in the provision of a wider range of affordable housing options, under new regimes for funding and asset control (see publications of NCHF at <http://www.nCHF.org.au>). With the exception of the examples discussed earlier, however, where existing agencies have taken the initiative to develop what is to date a very small number of innovative projects, major shifts in the role of the sector into property development, fund raising and independent asset control have not occurred.

Both research for this study and a recent analysis by the national peak body for the sector, the Community Housing Federation of Australia (CHFA), suggest several factors that may be contributing to this situation. First and foremost, Australian governments at all levels have not determined the rationale for and extent to which they want to systematically fund the development of a wider range of affordable housing options outside of government. Instead, they have so far opted only for demonstration or experimental projects.

Second, past approaches to community housing, particularly to funding and asset control, have locked both governments and much of the sector into a particular mode

⁸⁰ As indicated in Chapter 2, ownership arrangements in the non government housing sector vary by sub-sector (Indigenous, aged and disabled, mainstream community housing etc), type of housing model (e.g. housing cooperatives and joint ventures are more likely to be independently owned) and jurisdiction (ownership rates are highest in South Australia and Queensland).

of acquisition and delivery, described above, which is difficult to change (CHFA, 2003). One consequence of the current state of the sector is that SHAs, which fund most community housing services, are sceptical about the capacity of existing agencies to undertake housing development and fund-raising, despite major enhancements in recent years to the efficiency, governance and skills of many of those agencies. Such reservations are revealed in recent moves by the Queensland and ACT Governments⁸¹ to establish new arms length government controlled entities, despite the considerable effort, time, expense and risk involved in developing the new bodies. As CHFA has identified correctly, existing community based providers presently face a 'catch 22' problem: since most have not been allowed to develop and manage complex housing development projects, they have little experience of this activity and cannot demonstrate their capacity to do so (*ibid*).

Third, while there are valid reasons for government concerns about whether the existing network of not for profit providers can undertake successful new housing developments, interviews for this study and other reports⁸² reveal there is a culture within some SHAs that has not been disposed to expanding and giving greater flexibility to alternative providers of housing services. This culture stems from a lack of separation of roles and related conflicts of interest within SHAs, and from a funding environment leading to severe competition for scarce housing resources.⁸³ The lopsided nature of the relationship between public and community housing providers, and the lack of legislative recognition of the latter group in most jurisdictions,⁸⁴ suggest that barriers to expansion of the roles and responsibilities of the existing not for profit sector will not be overcome solely through policy changes, capacity building and more robust regulation. The sector also needs a champion within government, such as a dedicated agency and/or enabling legislation to facilitate attitudinal change.

Fourth, there is a lack of wider political support for alternative housing delivery models in Australia. For example in recent years, several public housing tenant groups have voiced opposition to the use of alternative providers in Australia, raising concerns in particular about how the rights of tenants to secure and affordable housing will be protected under such models.⁸⁵ Paradoxically however, the limited scope of legislation governing social housing programs in most of Australia, whether publicly or privately delivered, means that many existing policies (such as income related rents, eligibility and lettings policies, and security of tenure) are subject to

81 As discussed in section 2.6, the Victorian government is currently undertaking a registration process for affordable housing providers. After pressure from the existing sector, the government has indicated that either new or existing agencies could be accepted if they meet all the requirements for registration.

82 See, for example, evidence given in the Inquiry into government-funded community housing in NSW (SCSI, 2003).

83 With the exception of South Australia, SHAs are responsible for both the delivery of large-scale public housing services and the funding and regulation of alternative providers; which, under current policy and fiscal settings, have better potential for growth (see Chapter 2).

84 Only two jurisdictions in Australia, South Australia (1991) and Queensland (2003), recognise other housing providers in their housing legislation.

85 Against this, the community housing sector has tended to enjoy higher rates of client satisfaction with their service delivery than public housing since comparable measurement across both sectors was introduced. (SCRCSSP, 2004)

change without parliamentary scrutiny. In addition, examination of the performance of SHAs themselves in Australia is quite limited.⁸⁶

The situation of community housing in Australia is approaching a watershed. While there are strong real and perceived barriers to change, as discussed above, there are other mounting forces for parts of the sector (notably the larger, well established housing associations and cooperatives) to move into affordable housing development. This is especially because of the potential they offer governments to leverage significant additional resources into provision of greater supply. Cases studied for this project show the potential for willing existing community housing agencies to innovate and take on a greater role in housing development. However, as this report will demonstrate, without significant government facilitation and capitalisation, any further growth they can achieve will be very limited.

4.4.2 Government land corporations

Another set of players in the emerging affordable housing sector in Australia is the government owned land corporations, operating in several larger states.

State Land Commissions were established in Australia in the 1970s under a Federal Government initiative to help stabilise land prices and dampen land speculation. They used land banking and counter cyclical retailing to moderate fluctuations in the land supply and, consequentially, in land prices. Over time their role has changed. Today, the remaining agencies operate within government on a commercial basis. They assist in land assembly in major urban renewal areas, retail government owned land at market prices, and promote more efficient and sustainable forms of urban development.

Within the constraints of their commercial framework, some of these agencies have retained an objective to contribute through their activities to underlying land and housing affordability. How they approach this varies markedly, as contrasting examples of the agencies in NSW and Victoria show.

VicUrban (and its predecessor the Urban and Regional Land Development Corporation) has led the way in recognising the value of, and helping to facilitate, the development of not for profit affordable rental housing. A number of projects brokered by VicUrban have produced partnerships with affordable housing providers, including (in this study) Ecumenical Community Housing, Port Phillip Housing Association and Melbourne Affordable Housing. Typically, VicUrban's role in these projects has been to bring together potential public, private and community partners, and use their expertise in development and development finance to determine the feasibility of a project and guide it through planning and approval phases, as well as in some cases to manage complex site remediation. While VicUrban has been pushing actively for an affordable component in new development opportunities, their

⁸⁶ SHAs are subject to standard public sector auditing and reporting. The Productivity Commission reports on a limited number of performance measures on a common basis with community housing annually (SCRCSSP, 2004). However, there is no independent regulation of public housing providers. See Kennedy (2001) for a recent account of the policy and regulatory framework for social housing across Australia.

capacity to achieve this nevertheless has been constrained by their commercial imperatives and a lack of external funds for potential affordable housing investors.

Landcom in NSW is taking a market-based approach to achieving affordable housing for moderate-income households (defined as those with incomes in the range \$35,000 to \$55,000 in 2000, and indexed annually). Landcom's affordable housing policy aims to support product diversity, smaller lot sizes and cost effective designs in its developments; to market housing to moderate income households; and, where commercially feasible, to include in all its developments affordable housing for purchase by that target group. A target of 5 per cent rising to 7.5 per cent of housing for moderate-income households has been set (Landcom, 2004). By implication, over 90 per cent of their developments therefore may be priced at levels beyond the capacity of moderate-income households to pay. Unlike VicUrban, Landcom has not been active in promoting affordable rental housing or in using its development expertise and access to sites to facilitate not for profit affordable housing projects in NSW.⁸⁷ In Green Square, Sydney where they are a major developer, Landcom opposed the provision of a site to City West Housing because of perceived 'market risks' (Bebbington, 2001).

In view of the already-discussed potential for larger community housing organisations to move into housing development, using the expertise of government land (or development) corporations to broker and/or assess project proposals could be a cost effective alternative to setting up additional specialist vehicles. Close to government but independent, such agencies could serve as the honest broker between SHAs and NGOs.

4.4.3 Local government

As discussed in chapter 2, only a small minority of local governments in Australia have explicit policies or provide funding for the protection or expansion of affordable housing in their communities. This chapter has described the active involvement in different ways of three local governments: City of Port Phillip, Melbourne City Council, and Brisbane City Council. Table 4.4.3 (overleaf) lists additional recent initiatives of a handful of other Councils mentioned in the course of this research. Gurrán (2003a) documents the general role and function of Councils in housing using examples from Queensland, NSW and Victoria.

All affordable housing developers studied in this research have experienced problems and delays in achieving development approval through local government for at least some of their projects. Typically, strong and vocal local opposition to an affordable housing project has led to costly delays in approval being granted; or, in some instances, to development approval being granted only *after* an appeal has been lodged.⁸⁸ Described in Box 4.3.4, the situation of one ECH sponsored project illustrates the direct and indirect costs to a housing project caused by delays in

⁸⁷ In NSW, this role falls currently to the Centre for Affordable Housing within the NSW Department of Housing. However, unlike the state land commissions, the Centre does not have a proven capacity for packaging, financing and/or managing large projects.

⁸⁸ Bebbington (2001) has documented CWH's experience of the development approval process for one of their developments that went to appeal.

approval processes. Despite reported difficulties in gaining development approval, no agencies had projects where development approval ultimately had been refused. This suggests that proposed developments have conformed to planning requirements but have been delayed because of community resistance and/or a lack of familiarity in local government with affordable housing models.

The experience in Australia so far suggests that local government planning and development control policies that make explicit provision for affordable housing projects will be necessary to ensure their timely, cost effective and smooth development. Barriers to local government taking a more facilitative and supportive role and the actions that should be adopted to overcome them are discussed further later in the report.

4.4.4 The private sector

There have been increasing attempts by state and local government agencies and the not for profit sector to engage the private sector in making a contribution to affordable housing development. The most widespread engagement so far has occurred in NSW where, under local or regional policy settings, developer contributions for affordable housing have been mandated on several large sites rezoned for residential development. In these areas developer involvement has been notably passive, however, generally taking the form of monetary contributions. The next level of engagement has been negotiated agreements with developers to include a component of affordable housing in their developments in return for planning concessions or other benefits (see for example Waverley Council, Table 4.4.3). Responses by developers on a voluntary basis are very limited and small in scale, however.

Table 4.4.3: Recent or prospective initiatives by local governments to directly support an increased supply of affordable housing in their area[†]

Municipality	Affordable Housing Initiatives
City of Subiaco, Western Australia	Council is considering the feasibility of a Trust fund for affordable housing developments in its local area to hold council investment and attract other equity investors (personal communication).
City of Adelaide, South Australia	In November 2003, Council launched a rental program for young workers being priced out of the city. The program concept is that apartments will be purchased in the market with loan funds and rented at discounts of about 25%. Assets acquired would be progressively sold off to cover borrowing costs. Council is still seeking State or Commonwealth support to raise funds for the program (www.adelaidecitycouncil.com).
Waverley Municipality, NSW	Council has twenty-five year history of involvement in affordable housing initiatives. Latest approach involves offering development incentives (e.g. higher floor space ratios or larger building envelopes) to developers who include affordable in their development. An 'Affordable Housing Calculator' has been developed to enable consistent and transparent calculation of the bonus. Affordable housing units, which are acquired with a proportion of the bonus, either are transferred to Council or are let at capped rents for a period specified in a covenant. The units are managed by community-based or private housing managers selected by Council. 18 units of affordable housing have been achieved and 20 are at planning/development stage (Waverley Municipality, 2001).
City of Willoughby, NSW	The City of Willoughby Local Environment Plan allows for a cash contribution or dedication of land or both to be levied as a condition of consent for residential development. Dwellings obtained using this levy are to be rented to low and moderate income residents of the municipality with special needs and retained in the Willoughby Local Housing program (COW, 1995).
City of Parramatta, NSW	Council has submitted an affordable housing scheme for state government approval. It aims to ensure that as the City grows and changes, especially through zoning for higher density residential development, that a portion of housing affordable for lower income households is provided. The key mechanisms proposed is either a component of affordable housing equivalent to 3% of the floor space area to be dedicated in all medium to higher density residential and mixed use developments or a monetary contribution equal to the market value of 3% of the floor space. Ownership of dwellings will be vested in the DOH (NSW). (COP, 2003).

* Initiatives described in this table do not include those of Councils referred to elsewhere in Chapter 4.

[†] Because this research did not involve an exhaustive study of local government, affordable housing initiatives by other Councils may not have been identified.

In a third way, some proactive councils and not for profit agencies have looked for opportunities to package specific deals with private owners/developers. For example, the City of Port Phillip identified an opportunity to work with a new developer on the site of a run down 73-room boarding house, purchased by the developer in St Kilda. The Council was able to negotiate a mixed development on the site by offering a subdivision into two separate developments (private and social), whereby the developer (through an upfront cash sale of part of the site to Council) received working capital for their development, reduced their risk and were assured a speedy development approval. Council subsequently sought housing program funds for a boarding house development on the part of the site it acquired. This opportunity would not have arisen had Council not had an established track record of involvement in affordable housing development, and had the developer not been sympathetic to social housing, and in need of cash resources.

The fourth area of involvement is on existing public housing sites, especially large estates where SHAs across Australia are partnering with the private sector to refurbish and redevelop existing housing. While approaches vary, generally the result of the redevelopment so far has been a mixed public housing and private market development. (The City Edge development referred to earlier was the first time that a former public housing site has been developed and (partly) retained by a not for profit provider). As the redevelopment of public housing estates is likely to be a major component of SHA activity over the coming decade, there are likely to be sizeable opportunities for NGOs to become involved, probably with private sector partners, in developing, owning and managing significant amounts of social and affordable housing in these redevelopments. Facilitation of this role by SHAs would help significantly to address the scale issues that have been raised throughout this report.

Several Directors and staff of not for profit agencies interviewed for this study indicated they were putting increasing effort into negotiating partnerships with private developers. However, while active negotiations were taking place around several sites in Melbourne, Brisbane and Perth, none had been finalised. The impetus to such negotiations for developers seems to be coming from an anticipation of a downturn in the apartment market, plus growing recognition by developers that they need market share in the modest cost sector; for example, by catering to lower paid workers. For the not for profit players, the primary interest was in obtaining easier access to well located housing development sites. It was apparent, however, that without government equity and/or a policy framework, such projects were only likely to produce housing at the higher end of the affordable range, or in very small quantities.

A number of outstanding issues exist in relation to partnerships between private and not for profit developers, especially concerning the ongoing management of housing and facilities in mixed tenure complexes. Where tenure mixing is being pursued in one development, such as on the former public housing estate at Kensington in Melbourne and at City Edge, private sector approaches are being revised to take greater account of development strategies that will be necessary to successfully

design, develop, market *and* manage on an ongoing basis facilities and services for a mixed tenure community (see Dall, 2003).

4.5 Concluding comments

Overall, the picture that emerges from the evidence presented in this chapter is of a fledgling affordable housing sector where development activity has been achieved in two main ways: through a small number of one-off initiatives by governments, and via the entrepreneurial approach of a few highly committed and skilled people operating in strongly socially and ethically driven organisations. Two defining characteristics of rapidly expanding affordable housing sectors overseas – product diversity and private investment – have not been achieved to any significant extent. Under current funding and policy regimes, the projected amount of growth that the sector can sustain is less than has been achieved over the last decade.

The next chapter uses the criteria set out in Chapter 3 to assess the present state of development of the Australian not for profit affordable housing sector, and draws out lessons from current practice that could help inform the future growth and expansion of the sector.

5 LESSONS ARISING FROM THIS STUDY AND THEIR IMPLICATIONS FOR A POLICY AND DELIVERY FRAMEWORK FOR AFFORDABLE HOUSING

5.1 Introduction

This chapter attempts an analysis of information presented in Chapter 4 in order to draw some conclusions about the operation of alternative affordable housing agencies. Because of the small scale and ad hoc development path of the not for profit housing development sector in Australia so far, performance information that could be obtained for the cases studied was quite limited. The analysis presented in the chapter thus relies mainly on qualitative assessments made by the major players involved to date. However, one case, City West Housing, was found to lend itself to analysis of its financial performance as a housing developer. A review of the financial operations of City West Housing is presented in Section 5.2. Using the criteria set out in Chapter 3, the chapter then presents a qualitative review of the relative performance of the affordable housing schemes and governing agencies outlined in Chapter 4. The penultimate section considers some policy implications from these analyses, using overseas policy approaches as a point of comparison where appropriate. Based on practice and experience so far, principles to underpin the choice of delivery models for expanding not for profit provision of affordable housing in Australia are drawn out in the concluding section.

5.2 Financial Analysis of City West Housing

As described in Chapter 4, the Affordable Housing Scheme at Ultimo/Pymont was the first of its kind in Australia. Since it has been operating for almost 10 years, it provides a sound basis for examining the financial performance of an affordable housing scheme. A review of its operations will help address some fundamental questions about the financial performance of affordable housing organisations, including:

- development costs of such an organisation;
- whether their rental operations are viable;
- the relative impact of various affordable housing levers;
- the leverage that such a program is able to obtain; and
- the long term viability/sustainability of such a scheme.

5.2.1 Development costs of CWH

City West's development cost per unit including land of properties developed in 2001/2002 was \$251,885 (in 2001/2002 dollars) (CWH, 2003a). The land component is about \$62,000 of this figure. This cost represents a substantial discount on what would be available to CWH through a spot purchase program. City West Housing staff considers the development margin in the area to be at least 25 per cent; i.e., not for profit development is saving about one quarter on purchasing

on-market.⁸⁹ A development consultant contacted by the study team was able to confirm the accuracy of this estimate, and an examination of sales data for the area in the same period also supports the CWH estimate.

5.2.2 Rental operations of CWH

Table D1 (Appendix D) shows the full income and expenditure statement for the rental operations of City West Housing in 2001/02. Analysis of these accounts shows that the scheme generates a substantial surplus from its rental operations of about \$1.1 million p.a. If only very low income tenants – who receive the largest rent subsidies – were housed by the scheme, this surplus would decrease to about \$0.4 million p.a.

On the income side, revenue comprises approximately 40 per cent from developer contributions and the levy on land sales; 40 per cent from rental surpluses; and 20 per cent from interest. On the expenditure side, the largest cost item is wages (including on-costs), which are about 60 per cent of total expenses. The total accumulated profit at the end of 2002 was about \$75 million.

A comparison of the income and expenditure of CWH (in 2001/02) with NSW public housing expenditure (for 2000/01) as set out in Hall and Berry (2004, p.29), shows that the largest differences are found on the revenue side. The Department of Housing (NSW) received net rents of about \$67 per week per dwelling (or \$3,500 per year) for its public tenancies. City West Housing received about \$145 per week or \$7,540 per year. On the costs side, DOH (NSW) was spending about \$4000 per property per year, including an interest bill per property of \$400. City West Housing was spending about \$3600 per property per year with no debt servicing. So, the fact that CWH is making a positive return on their rental operations whilst the NSW public housing program is running a deficit is based, to some extent, on CWH having no interest bill; but the most important difference is the greater revenue per property received by CWH. The two main factors contributing to this result are: (a) differences in the income mix of the tenants (CWH has a much larger proportion of moderate income households than public housing), and (b) the higher proportions of their income that higher-income tenants are being charged in rent.⁹⁰

5.2.3 The relative contribution of various financial levers available to CWH

The financial assessment of CWH presented in this and the following section uses the financial information available from the Company's records to track the relative importance of the various financial levers or subsidy elements that CWH are able to use to help deliver affordable housing. The details are shown in Table D2, Appendix D. The analytical approach taken is a relatively straightforward one. Affordable housing schemes can provide tenancies at below market rents and still remain viable by packaging together a number of levers or mechanisms, which provide them with

⁸⁹ Bebbington (2001) documents the development costs in detail. Note that this saving does not include any GST savings that CWH make on development.

⁹⁰ Two other minor factors that affect the results are that DOH had not fully phased in its 25 per cent rent to income policy for existing tenants in 2000/01 and some CWH tenants on Centrelink payments receive a payment of CRA which equivalent public tenants do not.

costs advantages compared to a private investor. These levers or mechanisms include:

- No developer profits required (they are a non profit organisation);
- GST exemption (if available);
- Equity contribution from Government by way of capital (or land);
- Receiving the proceeds of developer charges;
- Receiving the proceeds of government land sales;
- Cross-subsidising low income tenants with medium income tenants.

The following method was used to describe the contribution of a variety of mechanisms or levers in delivering cheaper rents. Company data was used to construct a 20-year cash flow model for the delivery of 283 units of housing. The costs used in the model were those experienced by CWH; the rents were the rents charged by CWH. In order to simplify calculations, it was assumed the development cycle stopped in 2002 so that historical costs could be used. It was also assumed that at the end of the 20-year period the stock was sold at cost. The internal rate of return⁹¹ was calculated for the project: this is equal to 2 per cent.

Next, a subsidy lever or mechanism was removed from the model. This was valued by estimating the annual cash amount that would be needed to replace the subsidy; it was assumed that the finance was obtained using an interest only loan (at 7 per cent). The principal was repaid when properties were sold at the end of year 20. The average rent charged was then increased until the internal rate of return of the project returned to 2 per cent.

The rents that need to be charged to maintain the internal rate of return at 2 per cent are shown in Table 5.2.3-1. The table shows that the subsidy element with by far the largest impact on rents is the capital injection of \$50 million. Other subsidy elements are each significant, with the most important being the impact of non-profit development.

Table 5.2.3-1: Examining the impact of subsidy elements using City West Housing data

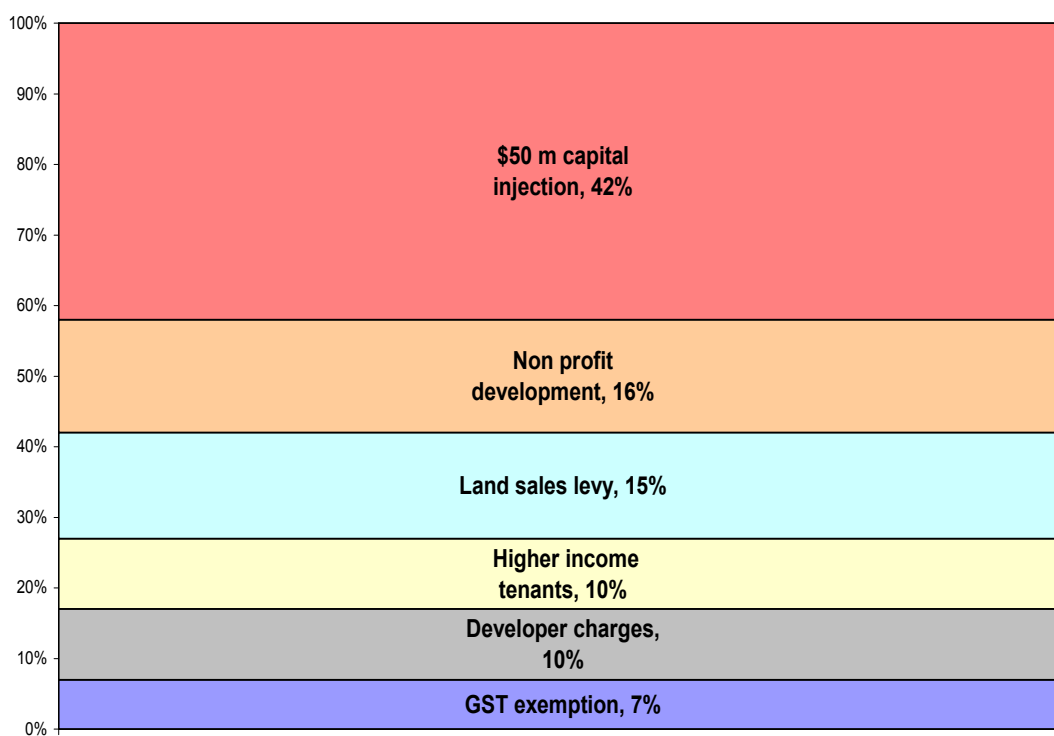
Name of subsidy element	Rent needed to be charged to maintain return
No \$50 million capital injection	\$319
For profit development (developer margin)	\$210
No land sales levy	\$208
No developer charges	\$188
No moderate or low income tenants	\$188
No GST exemption	\$172

Source: Authors' estimates.

⁹¹ The internal rate of return is the rate of interest which when used to discount the cash flows associated with a project reduces its present value to zero. Hence it gives a measure of the 'break even' rate of return on an investment.

These rents can be converted into a percentage change by subtracting \$145 (the average rent charged by CWH) from each of the rents shown in Column 2 of the table, adding up these differences, and presenting each difference as a percentage of this total. The percentages reveal the relative impact of each lever on the ability to charge less than market rent. They are shown in Figure 5.2.3.

Figure 5.2.3: Simulated impacts of affordability levers (using City West Housing data): Relative impacts on reducing market rents



Source: Authors

5.2.4 Leverage

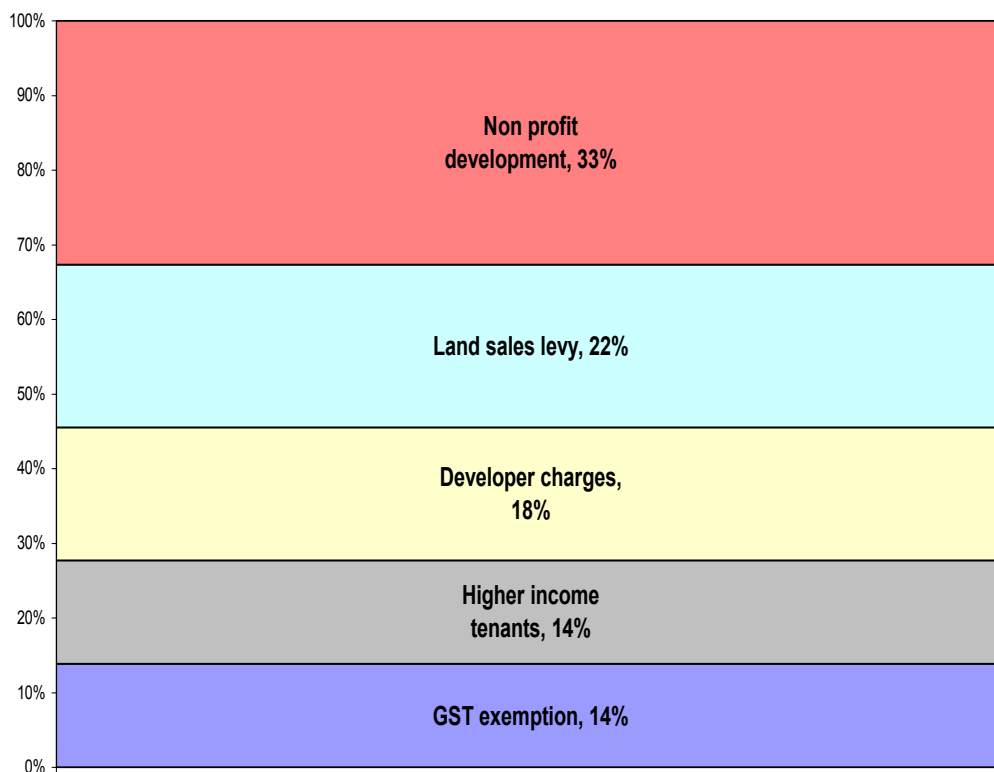
Leverage in this context measures the relationship between the direct government investment and the total investment in affordable housing. In the case of CWH, the original investment of \$50 million generated over a 20-year period yielded 7020 tenancy years of housing. If this investment had been directed at public housing in the area (assuming that public housing would pay 60 per cent of the developer margin), using the same development costs, 3174 tenancy years would have been generated over the same period. Hence, the CWH development has more than doubled (2.21) the housing output by being able to take advantage of the various levers discussed above, and through its ability to house higher-income tenants than public housing.⁹²

⁹² If City West only housed tenants in the very low and low category then their annual rental surplus would be reduced but not eliminated. This will reduce the total number of dwellings constructed over the 20 year period. It is estimated that this would reduce the total number of tenancy years to 6808 reducing the leverage over public housing to approximately 2.14.

Figure 5.2.4 shows the relative contribution of various affordable levers in the generation of this leverage. The figures were derived by estimating the present value of each of the affordability levers, adding them up, and generating percentages. The major generator of leverage has been non-profit development.

If CWH adopted a policy of borrowing against its future cash flows and/or of increasing its use of rent assistance through a different rent setting policy, its leverage would increase.

Figure 5.2.4: Relative impact of the affordability levers on leverage achieved, City West Housing



1

Source: Authors

5.2.5 Viability/Sustainability

The latest business plan of City West Housing (CWH, 2003a) shows the income and projected costs to 2013. The model appears sustainable: even with increased maintenance commitments, the increasing size of the rental portfolio suggests that rental surpluses will increase over time. Indeed the strong balance sheet and continuing rental surpluses indicate that CWH may be able to engage in a modest program of private borrowings to accelerate its development program. Full details of the projected cost and income streams for CWH to 2013 are provided in Tables D3 and D4 respectively (Appendix D).

The major risks probably lie in the area of maintenance: will any unforeseen problems develop in CWH properties? This risk is being managed well at present through a 'whole of asset life' approach to design, and close scrutiny of the construction process for projects.

5.3 Reviewing stock acquisition and operations of alternative affordable housing providers

Table 5.3 compares the procurement and management approaches of alternative affordable housing providers. Performance has been assessed against the five criteria described in Chapter 3, by drawing on the data (see Chapter 4) and views of respondents provided to this study. The criteria are:

- **Scaleability (SCA):** the ability to grow to a size that will enable the organization to generate the required economies of scale in a reasonable period of time;
- **Leverage (LEV):** the ratio of the total dwellings provided by an organization to those dwellings directly funded by government;
- **Sustainability (SUS):** the ability of the organization to remain financially viable whilst still providing suitable client outcomes especially in relation to affordability;
- **Flexibility (FLE):** the ability of the organization to react quickly to development opportunities and to provide solutions appropriate to current market conditions; and
- **Cost-effectiveness (COE):** per dwelling costs compared to traditional social housing.

Table 5.3 sets out the advantages and limitations of each of the alternative providers, and highlights some lessons for the future. The aim of this review is to identify the best possible models for increasing the supply of stock provided through alternative affordable housing providers.

Table 5.3: Reviewing the stock procurement and operations of alternative housing providers

Type of scheme (See Table 4.1 for details)	Characteristics/Advantages	Issues/Limitations	Lessons learned/implications
CWH	<p>Efficient administration (SCA, COE SUS);</p> <p>Sufficient scale to appoint full time development staff (SCA);</p> <p>Capital injection enabled the scheme to gain momentum quickly and acquire sites early (SCA, FLE);</p> <p>Access to developer contributions (SUS, LEV).</p>	<p>Does not fully capture the available rent assistance reducing leverage (LEV);</p> <p>No private sector borrowing to date: again reduces leverage (LEV);</p> <p>Financial model based on providing housing to large proportion moderate income households reduces targeting to need (SUS, COE).</p>	<p>Lower cost development and a financially sustainable model is very possible;</p> <p>Financial levers (capital injection, GST exemption, developer margins etc) provide real benefits in allowing affordable rents.</p>
BHC	<p>Captures a greater proportion of RA than CWH (LEV);</p> <p>Becoming an “attractor” of affordable housing ideas/projects (SCA);</p> <p>Contracting out tenancy management to community housing partners has overcome need to set up tenancy management (COE).</p>	<p>Local government partnership may affect some operational issues as local government politics changes (SUS);</p> <p>High set up costs (COE).</p>	<p>Learnt from earlier CWH model – lesson is to foster/expect flexibility in models over time;</p> <p>Anticipated that the capture of RA will provide substantial financial benefits over the life of the scheme and allow for greater targeting.</p>
CPP/PPHA	<p>Use local government resources and interest to generate housing (LEV);</p> <p>Attracted the interest of the private sector (LEV);</p> <p>Been able to use a local CH provider to manage stock (SUS).</p>	<p>What happens if local government focus changes? (SUS)</p>	<p>Local CH provider been able to manage stock and reinvest surpluses in development;</p> <p>For surpluses to be useful for supply requires scale;</p> <p>Local government can be a key broker.</p>

Type of scheme (See Table 4.1 for details)	Characteristics/Advantages	Issues/Limitations	Lessons learned/implications
CHC	<p>Been able to work with Public Housing agency and private sector to deliver an affordable housing project integrated with private housing (LEV) (see Box 4.2.2).</p>	<p>Small scale without development capital (SCA); Dilution of social housing on the site (SUS); Current financing model (reinvesting development profits into stock) will result in only a slow growth in affordable stock (SCA, FLE);</p>	<p>Affordable housing can work in a mixed tenure project and it can be designed and built to a high standard.</p>
PICHA	<p>Been able to obtain private finance (LEV); Captured local skills/interest in affordable housing.</p>	<p>Small scale – only has part time development officer (SCA); Project basis means 'transaction costs' per property have been high (COE).</p>	<p>Private financing accessible even with reasonably complicated third party arrangements; Innovative approach has been generated that reflects local conditions.</p>
CHL	<p>Flexible organisation that has been able to tap into a variety of programs/ partnerships to build scale (FLE, SCA); Has strategic focus on making housing development a viable part of its business (SUS, SCA).</p>		<p>Diversify the business stream in terms of content and geographic area; Economies of scale in development is between 100 and 200 units per year; Development function will not be sustainable below a minimum annual program.</p>

Type of scheme (See Table 4.1 for details)	Characteristics/Advantages	Issues/Limitations	Lessons learned/implications
ECH	<p>Able to tap into key resources: land held by churches and other philanthropic contributions (LEV);</p> <p>Use of skilled staff to undertake development (SCA).</p>	<p>Lack of capitalisation and absence of revenue from housing management meant they were vulnerable when there was some development hold ups (FLE);</p> <p>The need for individual project approval made them vulnerable when delays occurred (FLE).</p>	<p>Diversify – don't just rely on development;</p> <p>Don't use a model based on individual project approvals – transactions costs are very high per dwelling and the delays will be expensive (e.g. Kew, Box 4.3.4);</p> <p>Planning delays can be a problem;</p> <p>Inner city developments are more likely to be affected by planning delays.</p>
MAH		<p>Without capital, difficult to move forward even with political support (SCA, FLE).</p>	<p>It can be difficult to establish momentum without either capital or stock.</p>

The analysis in Table 5.3 shows that organisations with access to adequate sources of funding are the most effective, especially up-front capital contributions. They have been able to reach a suitable scale reasonably quickly, have been able to attract and hire appropriate staff, and have been able to take advantage of market opportunities and act decisively.⁹³ The analysis of CWH financial performance presented earlier also indicates that appropriate capitalisation can assist affordability. Economies of scale have been important in the generation of rental surpluses, but also in development. Opportunities presented by the current institutional and policy environment in Australia (see Chapter 2) that have not been fully considered and applied across the sector include attempting to increase the capture of CRA, and partnering with existing community housing providers to manage stock, as BHC has done. The first measure will significantly increase the rental surpluses available to not for profit providers (see Table 2.4). The second will reduce the learning curve for new organisations on the tenancy side, while using expertise and improving the efficiency of the existing community housing sector. The City of Port Philip scheme also demonstrates the potential of local government as a partner in generating affordable housing, as discussed further below.

Overall the evidence presented in this study suggests that alternative not for profit affordable housing providers will be sustainable in Australia if sufficient start-up resources are available. The evidence from existing operators also suggests that the built form can be of a high standard; that private financing is available; and that project based funding models should not be considered as a general model, because a project-by-project approach is incompatible with successful development.

However, the relative strengths and limitations of different approaches to developing and operating rental stock are only part of the story. What has been the situation in relation to performance of these organisations when assessed in terms of their governance, and, relatedly, their accountability to government and the community they serve? The next section addresses these issues.

5.4 Reviewing the governance of the alternative affordable housing providers

This section focuses on lessons learned from the structure and functioning of organisational forms being used presently to deliver affordable housing in Australia. Chapter 4 describes key similarities and differences in governance arrangements of the agencies included in this study. In this section, consideration is given to the strengths and limitations of those arrangements, and the major learning to date about governing the development and ownership of affordable housing outside of government.

In the absence of standardised regulatory information (such as that derived from management audits, standardised performance reporting or guided self assessment processes), this research has relied on the knowledge and experience of participants from the agencies studied and their government funders in order to compare the

⁹³ This issue is explored in more detail in the next section on governance.

attributes and performance of the three alternative affordable housing delivery models operating currently in Australia: i.e., arms length government companies, independent not for profit agencies, and local government/NGO partnerships. As discussed in Chapter 6, ongoing systematic assessment of organisational performance within the context of an appropriate regulatory model (with both self assessment and independent components) would help to strengthen government and community confidence in new delivery models.

In the following discussion, the assessments of each model have been made against the criteria set out in Chapter 3 related to governance – namely:

- Organisational capacity and expertise (CAP): Agencies must have the capacity to develop and own properties;
- Accountability to government (ACC): Agencies are accountable for the public funds they receive and assets they hold;
- Community and tenant involvement (COMM): Governance should address principles of community and tenant participation and community accountability;
- Replicability (REP): The organisational model should be suitable for wider adoption across different jurisdictions and geographic areas.

In addition, to demonstrate the direct relationship between governance models and the housing function comprising the core business of these agencies, cross-reference is made as appropriate to the criteria used in Section 5.3 (above).

The experience and performance of the providers studied suggest that each of three types of models operating can be effective points from which to embark on not for profit development and ownership of affordable housing. When governance issues are being considered, no one model stands out overall as currently performing better.⁹⁴ (Differences in performance that derive from forms of funding and capitalisation are the subject of Section 5.3.) Evidence from this study suggests that so far, success has been driven by the high energy, commitment and skill of the people within government and within the agencies (both Directors and staff) who have initiated new models or demonstration projects, and persisted in their efforts to ensure success. It has not been the structure of any one model to date, but *how* it has been engaged and operated, that has been critical to a new or existing agency successfully moving into housing development. In the longer run, however, reliance on strongly motivated individuals and champions will not be sufficient to sustain a robust affordable housing sector. Accordingly, there is a need to look further into each of the models to consider what lessons can be learned, and to determine elements of a sustainable general model of governance and ownership for the future.

⁹⁴ Although two agencies studied had been managed successfully to date as incorporated associations, to operate their development function at a larger scale they would benefit from the stronger governance principles and guidance provided under the Corporations Act. This view is shared by those agencies and they are presently investigating options for enhancing their governance.

Drawing on the evidence in this study and overseas experience, a comparative view of the models' intrinsic strengths and limitations on each criterion is presented below. This comparison is used to generate a set of principles to guide future decisions about governance of the sector.

Table 5.4: Comparing the characteristics and performance of not for profit governance models

Governance Model (see Table 4.1 for details)	• Characteristics/ advantages	• Issues/Limitations	• Lessons learned/ implications
Government founded companies	<ul style="list-style-type: none"> • Charter clearly establishes primary purpose of company as a housing developer (CAP); • Expertise based Board (CAP); • Can specialise in housing development (CAP); • Government has direct approval rights and strong powers of intervention to manage risk and protect assets (ACC, SUS); • Government decision making operates at strategic not operational or project level (FLE); • Community shareholdings give direct means of community involvement and represent an important check on government power (COMM); • Allocation of shares can help engage cross section of community 	<ul style="list-style-type: none"> • Reduced autonomy in decision making compared to private or independent not for profit company (FLE, CAP); • Government involvement in business may deter high profile directors from the corporate sector (CAP); • Criteria and processes for Board selection are not well developed – present approaches are more a description of professional functions than a test of strategic and decision making ability (CAP); • Suitability for private financing where lenders seek security over assets not yet tested with government shareholders (LEV, COE); • Tax benefits may not be sustainable under degree of government control expected (LEV); • Where appointed by government, Chair of the Board may not be 	<ul style="list-style-type: none"> • Government established companies have tended to be risk averse to date; • Government is not necessarily proactive in supporting Company and fostering growth/ innovation/variety of approaches; • Changes in government/ political factors may have adverse impacts on Company – e.g. delay in approvals, lack of support for Board initiatives; • A balance of expertise across commercial and social responsibilities is desirable; • In addition, the value base of company needs to be nurtured and bedded down as the agency is a hybrid of private, public and not for profit modus operandi – many decisions (e.g. evictions) may test the solidarity of the Board; • Government standards of reporting can be onerous and unproductive for a small agency;

Governance Model (see Table 4.1 for details)	• Characteristics/ advantages	• Issues/Limitations	• Lessons learned/ implications
	<ul style="list-style-type: none"> • stakeholders (COMM); • Option to appoint Tenant directors (COMM); • Standardised model and rules emerging (REP). 	<ul style="list-style-type: none"> • seen as independent (COMM); • No established skills in tenancy management, compared to existing community housing agencies – this issue is avoided where tenancy management is contracted out but interests of tenants may be eroded by separation of functions (CAP, COMM); • Risk of direct appointments made by government being political and/or compromising the principles of corporate governance and the accountability of Directors • (SUS); • The level of trust between government and the agency (and consequential functioning of the relationship) may be influenced by the personnel involved (SUS); • Tenant directors may find participation in a diverse ‘Expert’ Board difficult. This can be overcome through training and 	<ul style="list-style-type: none"> • Direct appointments by government (where it occurs) should be replaced with election of nominees with demonstrated expertise by community shareholders; • Governments need to have clarity about their strategic interests and consequential reporting needs; • Tenant participation was relatively undeveloped in new companies; • Community shareholders need to be actively engaged to retain their interest/influence; • Meaningful involvement of tenants in the organisation should be a performance requirement; • Credentialing process could be used as an alternative to identify suitable affordable housing providers and reduce need for proliferation of government created

Governance Model (see Table 4.1 for details)	• Characteristics/ advantages	• Issues/Limitations	• Lessons learned/ implications
		<ul style="list-style-type: none"> mentoring (COMM); • Has involved complex and costly establishment processes and legal arrangements to date (REP, COE); • Multiplication of government companies unlikely to be feasible (REP); • A large entity operating statewide would lose local knowledge and responsiveness (FLE, CAP). 	<ul style="list-style-type: none"> entities.
<p>Independent not for profit companies/associations/coops</p>	<ul style="list-style-type: none"> • Corporations Act provides robust framework for larger scale business with complex financial transactions. It requires transparent decision making and reporting, gives guidance on probity and risk management and provides strong protections/sanctions for failure to meet responsibilities (CAP, ACC); • Compared to government companies, independent structure can withstand political interference and sudden changes in government policy (SUS); 	<ul style="list-style-type: none"> • Historically housing agencies have not been required to have expert Boards; often staff have tended to take lead role (CAP, ACC); • Small scale of many existing agencies means expertise and required skills mix may be lacking (CAP); • Cooperatives while structured to achieve tenant control unlikely without development expertise to be suitable for large scale housing development function (COMM, CAP); 	<ul style="list-style-type: none"> • Constitution and Board can be enhanced to suit functional and strategic requirements; • Remuneration may be necessary to attract sufficient higher profile/ experienced Directors; • Introduction of a comprehensive affordable housing policy and regulatory framework would overcome issues relating to risk management and housing outcomes;

Governance Model (see Table 4.1 for details)	• Characteristics/ advantages	• Issues/Limitations	• Lessons learned/ implications
	<ul style="list-style-type: none"> • Existing community housing agencies have a strong local/grass roots base (COMM); • Large number of existing agencies to choose from (REP); • Enhancement of governance where required (eg to add expertise) should be straightforward (CAP, REP). 	<ul style="list-style-type: none"> • In the absence of specific legislation, accountability for housing outcomes not specified (may be in separate documents, such a funding agreements which are harder to enforce) (ACC); • Community and tenant involvement internal to constitution and Board (COMM); • Potentially less broadly based than community shareholder models (COMM); • Capacity of the existing sector to take on substantial development role cannot be demonstrated without financial levers being provided (CAP, REP); 	<ul style="list-style-type: none"> • Trust structures or statutory charge over assets may offer acceptable alternatives to using government control to protect assets; • Power to intervene (e.g. appoint administrator) could be legislated; • Government could issue guidelines on community and tenant involvement for preferred providers; • Weakness to date has been lack of capital and limited viability, not lack of expertise; • Investment in capacity building in existing sector rather than setting up new entities could be cost effective;

Governance Model (see Table 4.1 for details)	• Characteristics/ advantages	• Issues/Limitations	• Lessons learned/ implications
Partnerships between not for profit provider and local government	<ul style="list-style-type: none"> • Responsive to local needs and opportunities (FLE); • Local knowledge valuable to manage development approval process (CAP); • Leverages council resources and in kind support (LEV); • Involvement of local government lends expertise in business and project management, and planning and development requirements to not for profit partner (CAP); • Involvement of third party can strengthen performance (CAP, ACC); • Potential to build support for affordable housing in local community (COMM, REP); • Provides an option in areas where other AH providers are not present (REP). 	<ul style="list-style-type: none"> • Control of local government relatively unstable (SUS); • Suitability depends on division of roles- policy and facilitation roles more appropriate for Council (ACC); • Local requirements (e.g. to restrict allocations to residents) may not be aligned with state or national policy goals (ACC, SUS); • Geographically restricted model (SCA); • Most local governments will not become involved in affordable housing projects without additional incentives/resources (CAP, REP). 	<ul style="list-style-type: none"> • Local government as developer not desirable (high risk, conflict of roles, no tax advantages); • Purpose designed agreements necessary to define roles and responsibilities of partners; • Helps achieve acceptance of affordable housing in local community; • Local government could collaborate on a regional basis; • Suits strong investment areas with better potential to leverage resources from private sector.

5.4.1 Corporate form and capacity

As discussed in Chapter 3, industry experience and involvement, robust risk assessment and responsive decision-making are key factors contributing to the successful operation of a housing development business. The current research found that this function has been managed best by those agencies that had expertise in property development on their Boards, and dedicated development and project management staff. In particular, experience so far has demonstrated that directors and staff with private sector experience can bring valuable ideas and networks for attracting resources and project partners. Agencies undertaking affordable housing in future should thus be required to appoint one or more experts in residential development to their Boards, and to have permanent full-time staff dedicated to the development function. Having specialist staff will also be consistent with an agency having a development program of sufficient scale to be cost effective, as discussed in Section 5.3.

In the absence of existing not for profit agencies with development experience and capacity, several governments have shown a preference for establishing special purpose vehicles under the Corporations Act to manage the housing financing and development functions. This raises a key issue about the difference between the operations of a government special purpose vehicle (SPV) or a not for profit agency under the same Act, which provides for the most robust standard of governance in Australia. Comparison of the way the two models have operated to date shows that the main difference lies in the power of government shareholders under the SPV to control strategic directions set for the Company and to determine changes in its business model. Respondents in this study saw the advantages and disadvantages of the government-controlled approach differently (see Table 5.4 for the range of comments).

Government officials were clearly more comfortable with a model where they could be confident of controlling the strategic decisions of the organisation. Put differently, they perceived the main risk *not* to be in a company's capacity to deliver affordable housing to a given specification on the ground (such as CWH has for ten years); but whether and how the company should embark on new models of financing and development, and, potentially, other housing-related activities. Unfortunately however, as other respondents suggested, this model circumscribes the normal strategic role and responsibility of the Board of a corporation. It may also engender a culture where there is an insufficient incentive to innovate and develop new options.⁹⁵ At present, the main check operating on the extent of government involvement in arms lengths companies has been the desire of government to ensure that the entity being created receives a favourable ruling in relation to a number of tax concessions that, under the Income Tax Assessment Act (1997), are potentially available to entities performing a charitable purpose⁹⁶ which are not

⁹⁵ For example, the innovative City Edge development in the ACT would have been unlikely to proceed if prior government approval of the development model had been a requirement.

⁹⁶ Applicants for status as a public benevolent institution must satisfy a range of criteria including having a charitable purpose. The key tests in the case of housing providers are to have not for profit status and

‘constituted, funded or controlled by government’. Securing this benefit by not giving ‘control’ to government and meeting government accountability expectations, however, has led to a scenario in which several ancillary documents govern the relationship between BHC and State and local governments (see Figure 4.2.3). As yet, it is untested how practical and appropriate to the interest of all parties this approach will be. The issue is likely to become more significant over time as the industry develops, and project and financing opportunities become more complex.

In the United Kingdom, where housing associations have always been independent entities, the entrepreneurial drive of the larger and more successful associations in responding to the pressures and opportunities of different housing markets has been an issue for government wanting to ensure that financial and operational risks are being assessed properly. In response, the regulatory body (the Housing Corporation) requires prior notification of, and to be consulted about, any major new business directions and/or proposed schemes outside of current policy guidelines. That approach avoids the need for government control, and instead creates a dialogue between government and independent associations that can be conducted in an open, constructive and balanced way.

Rather than seeking to control the strategic directions of a Company internally, governments thus have the option to continue to influence development and financing paths taken by more clearly defining their policy and funding requirements, and enhancing their regulatory powers. These issues are discussed further below.

Another perceived disadvantage of government-controlled models is the political risk associated with the government’s capacity to frustrate the operations of the Company through the use of absolute powers where they apply – such as control of key Board appointments and the final approval of business plans, or, ultimately, in abolishing the model.⁹⁷ To encourage development of a stable, independent and responsive affordable housing sector that will be capable of playing a long term role in improving affordable housing options in partnership with government and market players, government will be required to move beyond retaining ultimate power over development paths pursued.

In the United Kingdom, concern with *proper governance* of housing associations (among other factors) has led to the development of a firm set of principles in the regulatory code (see Box 5.4.1).

be constituted to “provide low rental or subsidised accommodation to underprivileged persons affected by poverty disability etc” (DOH (QLD) internal documents)

⁹⁷ The BHC model (the latest iteration) has tried to overcome these risks but nevertheless government has retained powerful controls through a complex array of other arrangements (see Figure 4.2.3), which may frustrate the company’s drive and attractiveness to Directors over time.

Box 5.4.1: Broad assessment areas for the governance of Housing Associations in the UK

Housing associations must operate according to their laws and constitutions

Housing associations should be headed by an effective board with a sufficient range of expertise – supported by appropriate governance and executive arrangements – that will give capable leadership and control

Housing associations must maintain the highest standards of probity in all their dealings

Housing associations must protect public investment

Housing associations must seek and be responsive to residents' views and priorities

Housing associations must deal with the Corporation in an open and co-operative manner

Source: Information provided by Andrew Larkin from the Regulatory Code for UK Housing Associations

Recent directions in the application of this code have included:

- To ensure that associations have a comprehensive set of skills at board level, encompassing housing, social policy, regeneration and commercial disciplines. Associations undertake periodic skills audits, to identify strengths and weaknesses. Where gaps are identified, associations will seek to recruit new Board members, through external advertising, contacting trade associations or personal contact;
- The introduction of regular appraisal schemes to monitor and provide feedback on the performance of individual board members, linked to regular and open reviews of Board membership. Under-performing members know they will forfeit their position on the Board;
- Regular reviews of the overall performance and cohesiveness of the Board, through self-assessments and observation by Lead Regulators. The Housing Corporation has produced a 'Self-assessment Framework for Board Performance' (Housing Corporation, 2001).

Returning to the Australian models, the third type (i.e., local government/NGO partnerships, such as City of Port Phillip) raises the issue of whether local government itself is an appropriate developer of affordable housing. In many developed countries, local government has of course been the traditional developer of social housing, although their role in this function is generally now in decline (see Box 2.9.1). In Australia however, local governments generally are not experienced in housing development *per se*; and despite the success of the Port Phillip model, respondents did not consider overall that expanding the role of local government into the development of affordable housing was practical or desirable. Nevertheless, as discussed elsewhere, local government has a critical role to play as a key stakeholder, and possibly, as a partner with other roles in new affordable housing models.

5.4.2 Accountability to government

A key driver of the emergence of government controlled arms length companies to develop and own affordable housing in Australia has been the historic lack in most jurisdictions of a well-developed regulatory framework, designed specifically for the not for profit housing sector. Much has been written and discussed on this issue recently. Two major reports, Kennedy (2001) and Clough *et al.* (2002), have provided an assessment of existing arrangements and the case for and options to enhance regulatory systems for government supported housing providers in Australia, and stakeholder views on the options, respectively. Since the release of these reports, Queensland has passed new legislation increasing their regulatory power over designated providers (Housing Act, Queensland, 2003), and Victoria has foreshadowed similar legislation.

The development path that emerges with regard to regulating a more diversified social housing delivery system will be one critical factor influencing the future choice of delivery models for affordable housing in Australia. Without a significant enhancement to present regulatory arrangements, use of government SPV entities is likely to continue as the housing development model (although not necessarily the management model⁹⁸) preferred by most governments. Where legislation and other regulatory tools can be introduced, however, governments may be willing to support existing providers taking on a broader and larger role in housing development and finance. This possibility has been identified in Victoria, with State Government indicating that existing providers who meet specified governance requirements could seek registration as 'Housing Associations' under the Affordable Housing Strategy – if accepted, they would be regulated at the highest level under their proposed legislation (see Section 2.6).⁹⁹

A core issue for governments across Australia is having sufficient control over the assets of property-owning housing companies. It is not clear whether government concern at this stage lies mainly with the protection of publicly funded assets *per se*, or whether concerns also involve *how* the potential wealth accumulated through asset ownership will be leveraged and/or redistributed over time and place. On both aspects, government should be able to address its legitimate concerns under either model.

Where government is the shareholder, it will have direct long-term control over the assets of the company. However, the security and quality of these assets will still depend on how well the company is managed over time – a responsibility that falls largely to the Board and staff of the company. Thus, in either model, there is a need for government to establish performance requirements that will drive best practice in the protection and management of housing assets, including stringent controls on financial deals that may put assets at risk. In terms of how assets in independent not

⁹⁸ Both the Queensland and ACT governments are indicating that they are comfortable with 'their' companies contracting out tenancy management. This reflects the 'catch 22' problem facing the existing sector referred to in Chapter 4.

⁹⁹ A tiered system of registration and compliance, linked to the level of risk involved (e.g. in smaller versus larger and more diverse agencies) is proposed.

for profit companies can be protected, legislative powers are available to governments to prescribe the disposal powers of agencies entrusted with valuable publicly funded assets.¹⁰⁰ Alternatively, the Trust model that has been used in Victoria may be suitable. The use of an external Trust structure to hold assets provides another transparent layer of accountability for the protection of assets that can be quarantined from the control of a service providing company, if required. It should be noted, however, that this might reduce company flexibility over time and add a layer of costs.

The question of how the long-term benefits of asset creation can be leveraged or redistributed is more vexed. Significantly, this issue has not been resolved within government – where there is growing incidence of valuable public assets being privatised, services being lost, and resources deployed to a different use. Experience overseas where non-government ownership of housing is well established may be instructive. In the Netherlands, the housing associations – many of whom had their genesis in the 19th century – are now using their considerable accumulated housing wealth to invest in additional housing in new development areas and in extensive neighbourhood renewal projects, consistent with their *permanent* charter to provide good-quality affordable housing. Driven by their own interests in maintaining their housing role, and aided by government incentives, they have effectively stepped into a role vacated by the Dutch government, which has been reducing its housing outlays significantly since 1989. Moreover, to effect a redistribution of resources between areas of deficit housing and areas of excess housing (or between weaker and stronger agencies), the associations – which have a long tradition of mutuality and collaboration – work together. For example, they may swap assets, borrow from each other, cross subsidise their activities, or amalgamate (Milligan, 2003).

From evidence acquired for this study, it seems that the critical step for governments to achieve the accountability they legitimately require lies not in the choice of whether governance is by an independent corporation or a government shareholder corporation; rather, it lies with comprehensive specification of policy goals and performance requirements, and the enforcement of those through appropriate and robust regulatory mechanisms.

5.4.3 Community and tenant involvement

The objective of including community and tenant involvement in social housing programs is not normally addressed through generic corporate governance models; but rather, through the way different models are operationalised. Traditional community based agencies typically have had strong grass roots or local connections. Subject to the determination of the agency, these links may be reflected in their choice of governance (e.g. a cooperative model); their Board structure and make-up (e.g. a representative Board); and their membership rules. However, as agencies grow in scale, especially if they do so by extending their geographic focus and diversifying their business, community links may become harder to retain. It was

¹⁰⁰ A good discussion of the options appears in Kennedy (2001).

noticeable that some independent agencies in this study did not have particularly broad and strong member-bases or direct tenant involvement. In contrast, a community shareholder model giving specific powers and responsibilities (for example, to appoint Directors and approve the Business Plan) to a cross section of community shareholders had been built into two of the government founded companies, CWH and BHC (see Chapter 4 and Milligan et al., forthcoming, for more details). While that approach adds another layer of management for the Company, it has the appeal of ensuring a diversity of community stakeholders is active at all times in the Company's development. It also provides for an important 'check and balance' in the governance arrangements, that is particularly important for a company with an expertise based Board that is 'close' to government.¹⁰¹

Ensuring that strong community focus is retained under conditions of growth and diversity, and where expert Boards are being used, will require promotion of good practice through guidelines and standards for accreditation. Requirements that a range of community stakeholders and tenants be appointed as shareholders or members and that they hold places in advisory structures (such as a policy committee) will be necessary, regardless of the governance model that is chosen, to maintain the benefits of community and client involvement and to meet the requirements for community accountability.

5.4.4 Replicability

In the Australian context, the governance model that seems most appropriate to use for affordable housing providers is that of a not for profit company under the Corporations Act. Whether government founded companies or independent companies will be used more widely is a matter for governments, and is likely to differ among jurisdictions. The Victorian government approach of allowing those existing community housing agencies that can best meet specified criteria to be registered as affordable housing providers has merit, however. It avoids the high cost and delay in setting up new companies and the political and practical downsides of government control. Moreover, if a comprehensive housing regulatory and prudential framework is developed in Australia to operate alongside of and reinforce the robust regulatory powers and guidance available under the Corporations Act, then there is no need (and there is unlikely to be the will in government) to multiply government-controlled companies.

Another route is to learn from the ACT experience and consider a network model of existing providers – where one or more selected agencies that can demonstrate required standards of governance and performance within the network are given an enhanced development capacity, and partner with more localised agencies that focus on tenancy management and community building.

¹⁰¹ Among respondents to this study there was some criticism of the added requirements to support community shareholders and in one case difficulties in getting shareholders to participate were reported.

5.5 Optimal approach to establishing alternative providers of affordable housing

This report has argued that certain criteria will determine a successful approach to housing development and ownership. Applying those criteria to lessons from the practice of the first alternative providers in Australia leads to a possible optimal way forward, as follows:

- A not for profit company under the Corporations Act;
- A company selection process that minimizes establishment costs (by using either a template approach or by investing in capacity building for existing companies);
- Strong consideration being given to partnerships or networks with existing community agencies, especially for tenancy management;
- Targeting to a high proportion of very low and low income households (up to Centrelink eligibility limits), but not exclusively;
- A permanent development and property management arm that can generate attractive and appropriate asset solutions at least cost;
- Involvement of local government in brokerage and facilitation of projects wherever possible, including greater use of their planning powers and discretion (see Section 5.6.3);
- Up front capitalisation (so that the company can maintain economies of scale in development and reduce their risk and process costs);
- A housing sub-market (not LGA) operating area (e.g., the inner city) to reduce planning risk and asset risk and contribute to scale. (More geographically diverse operations are not recommended at this stage of development of the sector because of the significant differences in market conditions to be considered and managed);
- Maximization of the financial levers to assist growth and affordability – including planning benefits, tax concessions, revenue options (such as from CRA and more flexible rent setting), and not for profit development; and
- Use of a modest borrowing program that increases leverage whilst meeting conservative financial management targets.

As discussed in Chapter 2, the situation of the existing community housing sector in each state and territory in Australia is different, especially in scale and structure. These guiding principles aside, there needs to be the opportunity for a solution to develop that is optimal in each setting. Wherever possible, it may also be preferable to have more than one type of affordable housing developer in a jurisdiction, since more innovation could be expected to result.

5.6 Policy implications

Presently, there is no overarching housing and/or planning policy framework for the development of affordable housing in Australia. As discussed in Chapter 2, however, a number of jurisdictions are currently developing new policy frameworks; and a possible national framework for the delivery of new affordable housing options is being given some consideration.

The affordable housing developments that have occurred so far operate under the existing housing policy frameworks that apply to mainstream public and community housing sectors, or under one-off initiatives established by particular governments. The lack of an explicit housing and planning policy framework for affordable housing development has had significant implications for how the agencies studied have evolved and performed to date, and on their potential for future expansion. Many respondents identified a lack of clarity in government expectations of them as a major barrier either to their agency exploring new options with confidence, and/or to achieving project approvals in an expedient time frame suitable to decision making in a volatile property market. Both independent companies and government-founded agencies (to a lesser extent) are feeling the impacts of a relative lack of definition, and/or narrow basis of government goals for the housing that it funds; and following this, from undeveloped and/or unstated performance requirements linked to the goals.

In view of the present state of policy development, the empirical record established by this study and its findings can assist development of a stronger framework in a number of key areas, discussed further below.

5.6.1 *Rent setting*

Rent setting in the traditional social housing system in Australia has several unique features. First, a dual rather than a single rent setting system applies, involving both property rents and tenant rents linked to income. Second, property rents are market not cost related. Third, no explicit subsidy is provided to SHAs (or alternatively to public tenants) for the shortfall between affordable rents and property rents (McNelis and Burke, 2004).

This set of factors has contributed to some distinctive and particular problems for the Australian public housing system, as recent research has shown (see Hall and Berry, 2004). Of most significance, public housing operations are not sustainable on the basis of tenant contributions – that is, tenant contributions do not cover the cost of the services provided. In the context of an increasing reliance on welfare and social exclusion that is evident in public housing communities, the ‘disincentive effect’ that income-related rents can have on tenant employment is also an important concern.

A shift to new forms of financing and delivering affordable housing presents a key opportunity for reform of rent setting practices in Australia. As shown in Chapter 4, however, the extent of innovation in rent setting is minimal. To date, only one agency (BHC) has moved away completely from an income related system of rent setting (see Table 4.1). For most agencies surveyed, income related rents have been used

because funding guidelines stipulate them on the basis that tenants will be treated equivalently to those in public housing. As Hall and Berry have shown, however, such a policy is not viable – especially where agencies are required to target low income and special needs households only. Continuation of the policy will impact adversely on the viability of agencies and their potential to use debt finance to increase their rate of investment and leverage capacity.

Determining a framework for alternative rent setting for affordable housing schemes in Australia is a vexed political and policy question that is beyond the scope of this study; but we note that it is the subject of current AHURI funded research being undertaken through the Swinburne Institute for Social Research. (A positioning paper has been released so far (McNelis and Burke, 2004.))

Outcomes of this study suggest it would be useful to monitor the experience of Brisbane Housing Company to inform the policy development process. As set out in Chapter 4, BHC's policy is to charge a discounted market rent using no more than 74.9 per cent of market as their normal price. This discount rate has been set to satisfy requirements of the Australian Tax Office so that BHC can receive an exemption from GST and other tax benefits. On this basis, the rent being charged bears an arbitrary relationship to the key objectives of an affordable housing program – i.e., affordable rents for target clients and provider viability. In this light, whether the program can achieve its objectives becomes an empirical question. As a general proposition, the impact of a policy setting rents at 74.9 per cent of market rent will be that the revenue, affordability outcomes and access to housing provided will depend (provided all other things, such as cost structures, remain equal) on housing market conditions – and not on affordable housing benchmarks. Accordingly, if this were to be applied as a general policy of affordable housing providers across the diverse rental markets of Australia, quite different financial and social outcomes would result.¹⁰² Importantly, BHC has retained some flexibility in the way they set their rents, subject to the limits of the tax rulings that they are seeking to protect. Their overall approach however is best described as pragmatic; as such it is difficult to justify in a social policy framework and unsuitable for use as a general model. Therefore, if a move away from income-related rents for non government providers in Australia is going to be successful, much deeper consideration needs to be given to alternative rent setting models. The implications of different approaches for leveraging tax concessions will need to be considered as a factor in these deliberations, but they should not be allowed to set the policy direction as appears to be a possibility at present.

5.6.2 *Access and income mix*

In the absence of an explicit or consistent policy on for *whom* affordable housing is intended in Australia, it has been noted in Chapter 4 that the provision of 'affordable housing' by many of the agencies included in this study tends to have been guided by prevailing public housing policy on eligibility and allocations.

¹⁰² This situation also arises for affordable housing providers with different costs structures under cost rent models, but in that case it provides a direct indicator of efficiency in the industry.

Agencies generally have been required to adopt 'eligibility for public housing' or 'being on the public housing waiting list' as entry criteria to receive government funding. In effect, this means that current providers are limiting access to their housing to households at the lower end of those identified as having a need for affordable housing in Australia.¹⁰³ Targeting to the lower end of the range of households with affordability problems has implications for the revenue of these agencies, their ability to achieve a social mix in their projects, and the financial viability of any attempts they make to attract additional funding from private sources to their business. The one exception to the way eligibility is being approached so far is City West Housing, which is required under its charter to achieve a mix of incomes and does not draw directly from the public housing waiting list.

Within the broad group eligible for public housing, different client groups are being targeted across the agencies. Some agencies, such as ECH, CHL and PICHA, have had a strong focus on building projects to assist special needs and high needs clients, consistent with their genesis in the welfare or church sectors. Other locally based agencies, such as CWH and the Port Philip Housing Association, use local affiliation as a key criterion to drive tenant selection. Brisbane Housing Company's business case is predicated on a significant component of boarding house type accommodation for single people, consistent with the identification of a priority need in the inner city. Each of these approaches has specific implications for the cost structures and viability of the organisations and the financing of their housing development function. However, there is no strategic framework in which these decisions are being taken, leaving the agencies open to question about the basis of their tenant selection policies. Whether agencies should replicate current public housing practice – which emphasises giving priority to those with the greatest and most challenging needs – or whether, to what extent, and *with what aim* affordable housing providers should house a wider mix of clients, is a particular issue that remains unresolved in Australia.

Some of the different arguments for adopting a broader model of access to affordable housing and/or promoting alternative providers presently being debated include:

- The need to respond to deepening housing problems of those who are not eligible for public housing and cannot afford home ownership in local area. This objective has been a key driver of new schemes in the UK (instigated by government and involving housing associations) to develop sub market rental and shared equity products targeted specifically to key workers;
- To use rent revenue from middle income households to cross subsidise those on lower income – that is making the housing program more affordable to government. CWH so far is the best example of that objective in operation in Australia;

¹⁰³ There are many studies of the extent and kind of affordability problems in Australia linked to many methods of assessment. For an overview of the issues and main studies, see Yates *et al.* (forthcoming).

- To mitigate demand for public housing (and cater to people on waiting lists around Australia who are unlikely to be allocated) by offering them other rent choices that have a lower subsidy;
- To replace former private sector housing models being lost through lack of viability and gentrification. City of Port Phillip, PICHA's and BHC's boarding and rooming house programs achieve this (including in some cases buying up an existing private boarding house and refurbishing it to prevent its loss);
- To reduce dependency on long term housing assistance by adopting community development models which link the provision of housing to a wider range of activities and services (such as creating work opportunities) that build social capital. This is a key rationale underpinning BHC's establishment in inner Brisbane;
- To achieve social mix in the existing stock of public housing, especially in housing estates where welfare dependency and disadvantage are concentrated. This objective informed the decision to undertake the City Edge development on a former public housing site in Canberra;
- To encourage the retention of social mix and diversity of housing types/tenures in new residential areas and existing areas under redevelopment (this rationale underpinned the use of inclusionary zoning provisions for affordable housing in Ultimo/Pymont and Green Square that benefit CWH); and
- To create a better income stream to enable providers to leverage private funding into the provision of affordable housing.

While these goals are not necessarily mutually exclusive, they need to be reconciled. A clear set of policy guidelines needs to be ratified by government, if housing companies are going to realise their potential to innovate and attract new partners to the provision of a wider range of affordable housing options.

Public housing policy frameworks have tended to dominate the policies of the alternative delivery agencies studied for one of two reasons: either to meet the requirements of specific funding agreements with government, or by default (i.e., reflecting current practice in Australia). While some agencies have considered greater policy innovation, such as allocating to a broader mix of households or developing new housing products, they are concerned that in the absence of any clear government guidelines, innovative policy decisions may be questioned; and as a consequence, the agency's relationship with government put at risk. This situation is being exacerbated by the fact that the agency they most often deal with is the state housing authority (SHA), which is also responsible for managing public housing under severe demand pressures from within existing target groups for public housing, and in an operating environment of deteriorating revenue, rising costs and declining capacity (Hall and Berry, 2004). In such circumstances, SHAs are not likely to be receptive to innovative policy settings or to ground-breaking projects that

might be considered a political risk. Thus a policy and funding environment that encourages innovation and greater diversity is required.

5.6.3 Planning policy

As set out earlier in the report, specific planning policies have been used successfully on a very small scale in a number of local areas in NSW to achieve affordable housing on either a compulsory or negotiated basis. In other jurisdictions, there is no formal recognition of affordable housing as a form of development at state level. This leaves actions by local government to secure affordable housing up to them – and, depending on the approach taken and the skill with which it is applied, subject to legal challenge.

Of the NSW initiatives, only the case of City West Housing, where the affordable housing planning instruments have been linked to provision through a special purpose delivery vehicle, has been considered in this research. City West's experience with the use of development contributions has been positive so far. As shown in Figure 5.2.4, development contributions have provided around 18 per cent of their leverage capacity in Ultimo/Pymont to 2003 and will support a much greater component in Green Square, where government capitalisation is not being provided. All developer contributions have come in cash, rather than in kind. This has enabled CWH to undertake high quality, cost effective development (no developer margins) in its own right within the area.

Recently, in context of rapidly rising prices and extensive development activity, CWH has had greater difficulty securing sites for development, particularly in Green Square where they could not invest until the development contribution fund built up. This problem could be overcome by extending the powers of local councils to identify sites for affordable housing in local planning schemes, as occurs for example in England and the Netherlands. Giving affordable housing companies access to government owned sites could also be considered as a policy initiative to support the expansion of affordable housing in identified areas of need.

Planning policies that support affordable housing can also assist in ensuring the timely and smooth development of affordable housing projects. All affordable housing developers studied for this report have experienced problems and delays in achieving development approval for some of their projects. Typically, strong and vocal local opposition to an affordable housing project has led to costly delays in the approval being granted; or, in some instances, to development approval being granted only after an appeal has been lodged (see Box 4.3.4). However, no cases have been identified where development approval has been refused, suggesting that proposed developments have conformed but have been delayed because of community resistance.

A number of factors are contributing to the difficulties being faced by affordable housing development agencies in developing projects and getting project approval:

- With the exception of NSW, affordable housing objectives and models are not mandated in state planning legislation;
- In the absence of a policy on affordable housing at the state level, only a handful of local governments have developed affordable housing policies (see Gurran, 2003a);
- There is a lack of knowledge and experience among local government officers dealing with affordable housing projects in many places;
- There has been no organised community education on the role of the affordable housing sector leaving individual agencies to have to undertake this function themselves; and
- The small scale and uncapitalised state of the independently founded affordable housing companies in Australia means they are generally not in a position to purchase development sites with potential for planning gain to be achieved through rezoning.

Comparing the planning policy framework for achieving affordable housing in Australia with progressive approaches elsewhere (Section 2.9.5) shows that local policy is embryonic, fragmented, and comparatively weak. Existing affordable housing providers have to negotiate their development proposals through the planning system without any effective support from state or local government in most places. However, where specific policies have been adopted at state or local level (notably in parts of Sydney and in the City of Port Phillip), positive outcomes have resulted with no apparent negative impact on the local housing market. Outside of these areas, it has been left up to individual providers to create the opportunity for capturing planning gain for affordable housing, as was achieved by Canberra Community Housing in the City Edge development in O'Connor.

The contribution of the planning system to the provision and retention of affordable housing could be strengthened through the adoption of various strategies in three main ways, as follows.

Financing new affordable housing supply through planning mechanisms

- Where potential planning gain associated with new release and renewal areas is substantial, State governments should ensure that a proportion of this be recaptured through the planning process through inclusionary zoning provisions requiring a financial or in kind contribution for new affordable housing supply. (This might be achieved using the South Sydney inclusionary zoning mechanism or through an established developer contribution such as the model used by Willoughby Council in NSW).
- In established, high value metropolitan areas, infill residential development should also incorporate provisions for affordable housing. The developer contribution model used by Willoughby, and the system of density bonuses demonstrated by Waverley Council in NSW, are examples for emulation, provided that they are underpinned by support under State legislation.

- Where State or local governments are land owners of new release areas there is greater potential to demonstrate the use of affordable housing mechanisms such as inclusionary zoning.
- Following the example of the United Kingdom, where substantial planning concessions are available for developments that are entirely affordable, the potential to consider incentives such as reduced developer contributions and tax relief, in addition to density bonuses, should be investigated.

Facilitating affordable housing through strategic, regional and local planning

- In addition to the use of specific planning levers, a broad based approach to reforming urban planning policy to support affordable housing is required. Following international examples, State governments must play a leading role in ensuring that local and regional plans actively provide for a range of affordable housing opportunities, including identifying sites for affordable housing, and that exclusionary development control provisions (such as subdivision, building standards, additional covenants regulating building finishes etc.) are removed from planning instruments.
- Similarly, States can contribute to the preservation of existing affordable housing supply by ensuring this is an explicit planning consideration when new plans are made or development proposals are assessed. For this to occur, State planning legislation or policy guidance must clearly direct local authorities to plan for affordable housing.
- In addition, a range of more proactive strategies are needed. State governments can use their legislative powers to support the use of planning mechanisms to promote and generate new affordable housing supply. Targets for affordable housing could be introduced in new release and urban renewal areas as has been achieved in the United Kingdom and the Netherlands. While requiring developers to make a financial contribution to finance affordable housing might not be viable in all housing markets, local authorities should be required to demonstrate that their plans make reasonable provision for new affordable housing opportunities – such as through innovative development controls which genuinely provide for a mix of housing and tenure types.
- Here the assessment process is also critical – planning authorities should actively avoid a concentration of high end developments with expensive overheads. In particular, as much as possible, provisions for community infrastructure should not be contained on site in the form of private gymnasiums and swimming pools, and residential types that are clearly incompatible with affordable housing opportunities (such as gated developments) should be prevented.

- Given the absence of regional structures of governance, the States should also actively facilitate regional planning processes to coordinate affordable housing approaches (note that a regional approach to housing policy is currently being trialed in NSW, (Gurran 2003a)). A regional approach is particularly important to avoid potential problems associated with developer “shopping”. Regional and metropolitan planning processes provide an important opportunity to establish the policy rationale and, potentially, the statutory responsibility, for affordable housing provisions to be implemented by local governments.
- While regional coordination is important, flexibility in local strategies is also needed, to respond to local conditions. The strongest strategies are likely to be those that contain a variety of approaches for preserving, encouraging, and procuring affordable housing throughout the planning process.
- States must establish stronger working relationships with local government to assist in preserving existing sources of low cost accommodation, identifying suitable sites for new affordable housing, and facilitating the development assessment process (Gurran 2003a).

Education and research

- Education for planners, local councillors is critical to ensure that they understand the need for affordable housing, the importance of preserving existing sources, and opportunities to achieve new supply through the planning system. Similarly, education for local communities is necessary to reduce opposition to plans which provide for affordable housing. Here the State governments can play a major role in resourcing training and educational materials.
- Following the example set by the Department of Housing and Urban Development in the United States, national research is needed to determine the extent to which existing planning controls mitigate against affordable housing through the private market, and to identify potential approaches for reform.

6 CONCLUSIONS

Australian housing policy for lower income households is at a crossroads. The traditional preference of many low and moderate income households for home ownership is being frustrated because those incomes are not keeping up with house prices, a situation linked to demographic change, labour market restructuring, and processes of housing market segmentation. In turn this situation is increasing the reliance of this sizable group on the private rental market – a tenure that does not necessarily offer long term housing on a secure and affordable basis. Public housing is positioned as the ‘safety net’ but is the smallest tenure, and is now less accessible and more undercapitalised than at any time in its 60 year history. In this context, where previous approaches and current policy settings seem no longer to be working, attention is turning to the need for a wider range of affordable housing options in Australia.

This study is the first systematic research into newly-emerging forms of affordable housing in Australia. It is focussed on the practice of a handful of not for profit housing companies and associations, either government-founded or independently formed, that are trying to develop new ways of developing and financing affordable housing, mainly for *rent* to low and moderate income households (at this stage). The study set out to document that practice, and draw out lessons apparent to date about the potential evolution of alternative approaches to the development of affordable housing in future. Comparisons are made throughout the report to North American and European practices that may also offer useful lessons because of the more advanced stage of development of their ‘affordable housing sectors’. Those sectors are characterised by large scale private financing of both traditional and new housing products, underpinned by government subsidies and incentives, and provided by a wide variety of delivery agencies; such as not for profit housing associations, ‘arms length’ entities (usually linked to municipalities), community development corporations, or regulated private providers.

Chapter 3 set out the study methods and data sources. Now that the analysis has been presented, a few additional comments about the focus and limitations of the study are appropriate.

The main information sources for the study have included a wide array of published and internal documents provided by the participating agencies and government departments, and 41 structured interviews conducted with stakeholders. Assessment of the performance of agencies has been based largely on agency records and the assessments of participants. Importantly, given the reliance the study has placed on participant analysis, there was a high degree of congruence in the views and assessments given on many issues, especially the identification of weaknesses in the current system and views about what it will take to achieve faster and more sustainable growth in the sector.

With the exception of CWH, it has not been possible to undertake any financial analysis of development costs and rental operations. Also, in most cases, because of the purpose of the study (which is to assess the emerging practice of not for profit providers in a housing development role), focus has been given to the development side of businesses rather than to tenancy services. For this reason and other practical limitations, tenant perspectives and an assessment of client outcomes have not been included. As the first of its kind in Australia, however, the study is intended to provide a foundation for more rigorous analysis and evaluation of the affordable housing sector as it develops.

Set out below is a summary of findings of this research into alternative not for profit providers currently operating in Australia. This is followed by a discussion of some implications for the development of alternative affordable housing services in future.

6.1 Main findings

This study's findings about existing practice are grouped according to the defining attributes of an affordable housing sector: its size, methods of financing housing development, organisational capacity and performance, viability, and the range of products and services offered. As described in Chapter 3, information used to make assessments has been obtained mainly from internal and published records of the agencies themselves and those of government departments. These have been collated alongside structured assessments made by directors and senior staff of each of the participating agencies, and the views of a selection of their stakeholders in government and elsewhere. The information obtained has been subject to both quantitative analysis where amenable and to systematic qualitative review.

6.1.1 Size

The Australian affordable housing sector is tiny. The seven largest providers operating in Australia have developed little more than 1200 housing units in total over the last decade or so. Although several hundred more units are at planning or development stage, there is no continuing significant program for expansion in any jurisdiction. Without further incentives and support being offered by governments, it is unlikely that the sector will move beyond small scale opportunistically driven project developments.

The main reasons there has been so little growth in the sector are:

- Lack of a sufficient volume of government funding either as capital investment and/or recurrent subsidies, to support the cost of private investment;
- No policy or performance framework to encourage affordable housing services to operate differently from mainstream programs of community housing (for example, in terms of whom they house and how they set rents);
- Limitations placed by governments (though to a different extent in different jurisdictions) on community based housing providers developing and owning their own housing;

- Despite much rhetoric about private financing, the absence of any basic institutional framework, credentialing or regulatory provisions, whereby a sufficient tranche of funding to make a difference could be brought quickly and cost effectively into use; and
- The small scale of existing operators (most of whom began with few or no assets and a limited revenue stream), making the rate of and potential for growth very slow.

As set out in Chapter 2, a number of state governments recently have established schemes (or announced initiatives) to boost the supply of affordable housing, possibly using non government delivery mechanisms. The plans are still small scale, but it is widely hoped they signal a trend to a more concerted effort by governments at all levels in Australia to actively develop a sustainable, larger scale program of affordable housing for low and moderate income households.

6.1.2 Development finance and leverage

In developments that have occurred so far, Commonwealth and state government equity (or land) contributions have been the predominant source of development capital; alongside some limited equity contributions from churches, local government and the broader welfare sector. For the reasons just outlined, very little private finance has been drawn into the provision of affordable housing so far. An inclusionary zoning provision has brought benefits to one agency; but generally planning mechanisms have not been available to support affordable housing, except on a site-specific basis.

Despite these limitations, the analysis in Chapter 5 of the largest and most established development company shows there is good potential to achieve leverage of government investment in affordable housing from a range of sources. Presented in order of magnitude for the case agency that was assessed in detail, the sources of leverage were: developer margins (33%); revenue sources (22%); developer contributions (18%); higher income households paying higher rents (14%); and GST fee supply (14%).

Each of these leverage mechanisms provide real opportunities for governments who are faced with increasing demands on the public purse at a time of significant deterioration in housing affordability.

6.1.3 Operational viability

A lack of suitable data concerning operations of case agencies and their early stage of development have constrained the extent to which performance and future viability could be assessed in this study. However, the favourable results for the case analysed in Chapter 5 should be robust under similar conditions. As discussed there, City West Housing is making good surpluses from its rental operations; at its 2002/03 scale of operation (283 tenancies) it was able to provide over \$1 million per annum in retained earnings for its development program. Importantly, this is related strongly to its mixed income client base and variable rent setting. However CWH has not optimised its rent revenue and also has a growing, unencumbered asset

base. The total leveraging potential suggests that other business strategies are open to them – including utilising private finance and assisting a higher proportion of lower income households.

6.1.4 Organisational capacity and performance

The governance and capacity of the agencies studied was related to some extent to their genesis in either the voluntary or public sectors, with differences apparent across these two groups – particularly in choice of governance model, the profile of Boards, and the development of business processes. Among the independent agencies that want to take on a larger housing development role, however, a rapid convergence to a higher level of governance (e.g. upgrading to company status or appointing expert Boards) is taking place. Several of the agencies with development experience are under-utilised at present. They have good potential though to expand their development program and become more efficient through economies of scale, once the standard of governance appropriate to larger scale and more complex housing development and financing operations can be met.

A combination of high profile Boards and beneficial upfront capitalisation has contributed to the success of the new, arms length government companies established to date. As discussed in Chapter 5 however, these models also have downsides such as high set-up costs, complex (and largely untested) arrangements to achieve both separation and control in relation to government, and limits on a company's flexibility to develop and adapt without prior government agreement. It is also doubtful whether governments will be willing to replicate the model widely. In this study, a comparison of attributes for each category of agency studied (Chapter 5) did *not* show any clear or intrinsic advantage of government shareholder companies over independently-formed not for profit companies, with the proviso that the regulatory requirements of government are externalised; i.e., developed on a sector-wide and not company- or program-specific basis, preferably through legislation.

Overall, there are a number of cost effective and efficient ways forward if governments want to expand non-government affordable housing development in Australia without having to set up new companies. Options include:

- Helping to build the capacity of existing agencies with development experience;
- Assisting other (larger) professional housing associations (not included in this study) that have specialised to date in tenancy management, to take on a housing development function;
- Facilitating strategic alliances or partnership between agencies with development experience and those specialised housing service providers.

Different options will be appropriate in different jurisdictions.

6.1.5 *Products and services*

Conceptually, affordable housing is tenure neutral. Affordable housing sectors are characterised by a diversity of products and services that offer choice to clients. They are designed to be appropriate to clients at different life stages, to cater to clients' needs to locate in diverse housing markets, and to recognise the varying capacity of households of different types and income circumstances to afford their housing on an ongoing basis. Options may include home purchase products geared to low income or special needs households; products targeted to key workers in high value locations; shared equity products; and various rental options, including 'more affordable than market' rents and heavily subsidised rents.

To date, the products provided through not for profit housing providers in Australia (both those included in this study and the much larger group of community housing managers) have been relatively undifferentiated, being aligned principally with the criteria and rules for public housing – especially in term of rent setting and eligibility. That situation is changing however, and agencies included in this research are at the forefront of trialing new rent setting and allocations models. Some are also interested in developing new products in due course, especially 'key worker' housing and shared equity options. These directions are positive but they are occurring in a vacuum in terms of explicit government goals and expectations. This makes innovation something of a political risk, and hence less likely, regardless of whether an organisation is a government company or an independent agency with limited sources of non-government funding.

6.2 Implications

This study adds to an already large body of research which has reviewed potential policies and strategies that would support an expansion and diversification of affordable housing models in Australia. The focus of other studies, cited throughout this report, has included financing methods and regulatory frameworks; international practice; and the role of local government. This study contributes to a similar knowledge base by showing what has been possible through existing practice in the development of affordable housing by not for profit providers.

On the positive side, elements demonstrated by that practice in the Australian institutional and housing and planning policy context can be summarised as follows:

- Good leverage opportunities exist especially for not for profit delivery vehicles, which will increase the cost effectiveness of government investment in alternative affordable housing delivery agencies compared to state housing agencies;

- A small number of existing not for profit agencies have demonstrated they have the capability to initiate and manage the housing development process, and have established a sound financial and development record so far. In terms of the implications of what has occurred to date, there is no evidence to suggest that similarly governed housing agencies couldn't move into this role in future, subject to adequate funding and appropriate staff being appointed;
- Housing being produced in the sector is of good quality, often innovative in design, and extremely well located;
- As far as this study can judge from information sources used, positive tenant and community outcomes for a wide diversity of tenants are being achieved.

On the other hand, despite good potential demonstrated, the evidence gathered in this study shows that the current players and small, mainly localised scale of activities are not going to generate a sufficient solution to a growing and nationwide problem. Escalation of housing development in this sector will require a number of critical actions, many of which have been recommended in previous studies. Based on the evidence and analysis available, the necessary attitudes and strategies that emerge once again include:

- a) Governments getting behind working not for profit models of affordable housing and putting them on a sustainable basis;
- b) Harnessing champions and experts in government who can clear the path for early adoption of innovative approaches;
- c) Investing government capital and recurrent subsidies (such as CRA) in ways that will optimise leverage and increase certainty for agencies taking on large scale projects;
- d) Clearer articulation of government policy requirements, rules of engagement, and expectations of performance;
- e) Strengthening the recognition of affordable housing in planning legislation and mandating the use of a wider range of planning levers;
- f) Ensuring affordable housing is a consideration in each step in the planning process – land allocation, plan making, setting subdivision and residential development standards, and the development assessment process;
- g) Giving strong incentives and support to local government to take a proactive role in supporting and /or brokering affordable housing schemes;
- h) Investing in capacity building and skills development for the existing community housing sector, particularly in governance, development financing and project management skills;
- i) Adopting a coordinated national approach to larger scale fund raising; and

- j) Managing financial and development risks through growing a specialised capacity, preferably a national special purpose body that can provide guidance on development financing; develop a prudential and regulatory framework for the development role of the sector; credential agencies; and monitor, regulate and evaluate their performance.

Without a coordinated national policy approach that addresses all these issues, the not for profit affordable housing sector in Australia will not realise its considerable potential. Looking at the practice to date has lent support to the assessment of Randolph (2004, p.9) on the affordability challenge: "The answer...is out there. We have plenty of models and options." Importantly, to continue to develop understanding and determine best practice, further independent research and evaluation should become an integral part of any application of the models chosen.

APPENDICES

Appendix A: Project Interviews and Information Sources

Appendix B: Interview Schedules

Appendix C: Additional Affordable Housing Providers Not Included in Chapter 4

Appendix D: Financial Analysis of City West Housing Pty Ltd

Appendix A: Project Interviews and Information Sources

<p>USER GROUP</p> <p><i>Adam Farrar</i> <i>Gina Pearson</i> <i>Rhonda Phillips</i> <i>Alison Wannan</i></p>	<p>Executive Director, NSWFHA Manager, Industry Development, OOH (VIC) General Manager, Community Housing, DOH (QLD) Acting Executive Director, Housing Systems, DOH (NSW)</p>
<p>INTERVIEWS</p> <p>ACT</p> <p><i>Khalid Ahmed</i> <i>Narina Dahms</i> <i>Nicola Gordon</i></p> <p><i>Ken Horsham</i> <i>David James</i> <i>William Kirkby-Jones</i> <i>Stephen Larcombe</i> <i>Bruce McKenzie</i></p> <p>NSW</p> <p><i>Barry Glover</i> <i>Bede Higgins & Mark Reader</i> <i>Martin Hill</i></p> <p><i>Adam McIntosh</i> <i>& Cheryl Sanghera</i> <i>Eloise Murphy</i> <i>Richard Perkins</i> <i>Maria Tierney</i></p> <p>QLD</p> <p><i>Pam Bourke</i></p> <p><i>John Byrne</i></p> <p><i>David Cant & Kevin Glover</i> <i>Jenny Clark</i></p> <p><i>Bill Davidson</i></p> <p><i>Alan Dick</i></p>	<p>Director, Financial Analysis, ACT Treasury Manager, Community Housing, DHCS Chief Executive Officer, Havelock HA Inc.; and Former Director, CHC Chair, CHC Manager, Strategic Policy, DHCS Former Chair, CHC CEO, Northside Community Services Inc.; and Director, CHC Former CEO, CHC</p> <p>Chair, CWH Program Staff, OCH, DOH (NSW) Managing Principal, Hill PDA Property Consulting; and Founding Director, Metro Housing NSW Treasury</p> <p>Former General Manager, CWH General Manager, CWH Financial Controller, CWH</p> <p>Manager, Social Policy Community & Economic Development Division, BCC Director, Urban Design & Planning, Property Portfolio Management, DOH (QLD) CEO, BHC; and Financial Controller, BHC Former General Manager, Public Housing & Community Renewal, DOH (QLD) Manager, Housing Systems Initiatives, Public Housing & Housing System Initiatives, DOH (QLD) Manager, Business & Financial Analysis Unit, Housing Finance, DOH (QLD)</p>

<p><i>Jon Eastgate</i></p> <p><i>Michael Myers</i> <i>Pauline Peel</i></p> <p><i>Rhonda Phillips</i> <i>Padmini Saxena</i></p> <p><i>Ken Sedgwick & Jonathan Leitch</i></p>	<p>Senior Program Officer, Social Diversity & Housing, Community & Economic Development, BCC Executive Director, QCHC; and Director, BHC Divisional Manager, Community & Economic Development, BCC General Manager, Community Housing, DOH (QLD) Senior Project Officer, Housing System Initiatives, DOH (QLD) Director and Senior Treasury Analyst respectively, Health & Community Services, QLD Treasury</p>
<p>VIC</p> <p><i>Jan Berriman</i> <i>Steve Bevington</i> <i>Hal Bisset</i> <i>Joseph Connellan</i> <i>Heidi Dixon</i></p> <p><i>Kathleen Hulse</i></p> <p><i>Karen Barnett & Kerry Riches</i> <i>Gary Spivak</i> <i>John Timmer</i></p>	<p>CEO, MAH; and Former CEO, ISCHC Managing Director, CHL Former CEO, ECH CEO, SHL/SEHL Director, Community and Affordability, VicUrban; and Director, MAH Deputy Director (Teaching & Learning), Institute for Social Research, Swinburne UT; Director, MAH; and Director, ECH CEO, PPHA; and Acting CEO, PPHA Housing Development Officer, City of Port Phillip Manager, Project Development, MAH; and Former Manager, Project Development, ECH</p>
<p>WA</p> <p><i>Hans Gerritsen</i> <i>Peter Lee</i></p> <p><i>Gavin McCairns</i> <i>Mike Newbiggin</i> <i>Bob Thomas & Jeff Mould</i></p> <p><i>Bob Tomlins</i></p>	<p>CEO, PICHA Managing Director, Spowers Architects; and Director, PICHA Area Manager, Centrelink; and Director, PICHA Executive Officer, CHCWA General Manager, Housing & Facilities Management, DHW; Manager, Community Housing, DHW Social Housing Development Officer, City of Subiaco</p>

Note: Interviews were conducted between September 2003 and January 2004. The positions of interviewees stated are those that were current at the time of interview or relevant to this project.

Appendix B: Interview Schedules

Appendix B – Part 1

Schedule for Company/Association Directors and Staff

The interview has two broad aims:

- i) To confirm empirical detail about your organisation's development, structure and operation;
- ii) To obtain evaluative comments about issues affecting the current delivery and future operation of affordable housing services in Australia.

1 Interviewee's role in project

- 1.1 What is your current involvement in/ responsibility in the organisation?
- 1.2 What historical role have you played (if different from above)?

2 History of the organisation

- 2.1 What broad phases in the establishment and development of the organisation should be distinguished in your view?
- 2.2 What key changes to the governance, financing, operating and regulatory structures have occurred over the period since foundation and why?
- 2.3 For any of phases that you have been directly involved with, what have been the two or three most significant issues/problems faced by the organisation? How have those issues been resolved and/or how have they affected the way the business has grown and changed?

3 Issues Affecting the Delivery of Affordable Housing

Over the page is a list of issues concerning the delivery of new models of affordable housing in Australia. Please comment from your knowledge and experience on any perceived strengths and limitations of your organisation's function as it has been structured and developed to date. Please also indicate any alternative approach to any particular element that you now consider may be desirable.

Issues Affecting Delivery	Strengths/ Success Factors	Limitations/ Areas for Improvement	How you would adapt/change the approach?
<p><u>3.1 Definition of Affordable Housing</u> as exemplified through policies on target groups, income mix, housing product(s) offered and rent setting.</p>			
<p><u>3.2 Organisational Model and Capacity</u> i.e. corporate structure, governance, organisational skills, expertise base, organisational culture, effectiveness of shareholder arrangements</p>			
<p><u>3.3 Approach to and Quality of Service Delivery</u> i) housing procurement processes (including probity management) ii) housing design iii) asset management iv) tenancy management v) tenant support vi) tenant/community participation strategies vii) role in/ contribution to place management strategies (if appropriate) viii) contribution to urban design (if appropriate)</p>			
<p><u>3.4 Financial Strategy and Viability</u> i.e. funding model; business plan; viability and sustainability of operation; planned scale of operation and whether achievable and appropriate; timing of projects</p>			
<p><u>3.5 Regulation & Accountability Framework</u> expectations and key elements that work/do not work as well as expected from the organisation's viewpoint</p>			
<p><u>3.6 Risk Assessment and Management</u> i.e. organisation's approach to risk assessment and risk taking</p>			

<p><u>3.7 Relationship to State Government</u> especially balance between organisational autonomy/independence and government involvement/oversight by State Government and Treasury</p>			
<p><u>3.8 Relations with Private Sector</u> i.e. progress on partnerships; links to development industry; connections with the finance sector; issues arising from private sector approaches to project or financial deal making and public sector attitudes/expectations</p>			
<p><u>3.9 Relationship to Local Government</u> including development of the relationship, changes over time and current status</p>			
<p><u>3.10 Internal Relationships</u> i.e. relationship between the Board and staff ; relationship between organisation and its clients and members/ shareholders</p>			
<p><u>3.11 Community Impacts</u> i.e. consultative processes followed; evidence of image/impact to date; public awareness about affordable housing options in area of operation; level of interest in products/services</p>			
<p><u>3.12 Any additional issues you consider relevant</u></p>			

4 Future performance and risk

- 4.1 At its present stage of development, what do you think are the main risk areas for your organisation? Do you have particular views about how each of these should be addressed in future?

- 4.2 Does your organisation have any particular plans for building its capacity, to introduce new services or to expand its operations (beyond those in the current business plan) in the short to medium term?
- 4.3 Beyond any specific plans, are there new or additional strategies/activities you would like to see the organisation pursue in the short to medium term? What, if any, are the barriers to taking such directions?
- 4.4 What evaluations has your organisation been the subject of? What is the present evaluation strategy?
- 4.5 Using the public housing delivery model as your comparator, what do you think are the main benefits and risks associated with using an arms length delivery model in the two areas of procurement/project management and tenancy management?

5 Potential for replication/expansion

- 5.1 This research project is concerned specifically with appropriate delivery systems for expanding affordable housing in Australia. With that focus in mind, what potential do you think your governance, financial and operating model (in part or whole) has for expansion/replication?
- 5.2 Drawing from the experience of your organisation, what particular suggestions would you make about how setting up a new affordable housing delivery model could be streamlined or improved in other places?
- 5.3 What do you consider are the main barriers at an operational level to replicating and/or expanding affordable housing services in your State/ in Australia? What views/ suggestions do you have about addressing such barriers?

Appendix B – Part 2

Additional Questions for Government Senior Managers and Program Managers: Government-Established Agencies

(where different from above schedule, Appendix B – Part 1)

2 Establishment process/ rationale

- 2.1 What in your view were the key drivers/rationale for the establishment of the Agency?
- 2.2 Over what time frame did the model evolve?
- [2.3 Why was an arms length entity preferred?

- 2.4 Why was a new rather than an existing entity chosen?
- 2.5 In what main ways did an analysis of existing affordable housing models here or overseas influence the option that has been adopted?
- 2.6 From your perspective, what were the three or four most significant issues/ problems faced in setting up the delivery model? How did the way each of those issues was addressed shape the model that has been established?
- 2.7 From that experience, what particular suggestions would you make about how the development and establishment phase could be streamlined or improved in other places?

4 Future performance and risk

- 4.1 What additional issues/concerns with the operation of the Company has your organisation identified since it was founded? How are these being addressed?
- 4.2 Which particular operational aspects and housing projects do you think it would be worthwhile for this project to investigate in more detail?
- 4.3 At its present stage of development, what do you think are the main risk areas for the Company? Do you have particular views about how each of these should be addressed in future?
- 4.4 Using the public housing delivery model as your comparator, what do you think are the main benefits and risks associated with using an arms length delivery model?
- 4.5 What evaluation strategy has been /will be put in place by your organisation for this initiative?

Appendix B – Part 3

Additional Questions for Use as Appropriate

3.1 Project development and management

(For officials/ development managers as appropriate)

- 1 How would you rate the performance of your completed projects on each on the following attributes?

Project name/address	Very successful	Reasonably successful	Satisfactory	Poor or less than satisfactory
----------------------	-----------------	-----------------------	--------------	--------------------------------

Housing objectives				
Achievement against budget				
Future financial viability				
Ease and success of tenanting initially				

- 2 What were the critical success factors for each attribute where you consider you have been successful?
- 3 Where there have been problems, what were the main causes?
- 4 In what main ways have the organisation's approach to housing provision been influenced by what has been learnt from projects to date? In particular, how has establishing project feasibility evolved?
- 5 What are the key factors/processes that will help ensure that your organisation can continue to be successful in developing, and effective in, implementing project deals?
- 6 What is the organisation's policy on the standards of housing that is to be developed?

3.2 Planning and development approvals

(For organisation officials and state and local government officials as appropriate)

- 1 What was/ is the land use planning framework affecting each of the projects developed?
 - State, Local (name of relevant Act and or instrument(s))
 - Relevant provisions – eg. objectives for affordable housing, permissibility, development controls, affordable housing mechanisms – or none of these
- 2 Are/ were there any constraints associated with the planning process – e.g. problems with regulations, delays in development assessment, community/council opposition?
- 3 Did the relevant planning authority/ authorities provide any assistance through the development application and assessment process? If so, how?

- 4 (For State /Local representatives directly involved in the planning process) Have you since made any changes to your planning framework/ processes? Is there anything you would do differently to facilitate an affordable housing project in future?
- 5 (For organisation officials/ directors) Are there changes to the planning processes that would assist the company to achieve its development program in future?

3.3 Tenancy management

(For organisation officials/ directors as appropriate)

- 1 Are written tenancy management policies and/or protocols in place on the following?

Policy/protocol	Yes	No	Under development
Eligibility			
Referral and allocation arrangements			
Rent setting and rent reviews			
Tenant transfers/ exits			
Breaches and evictions			
Dispute resolution procedures complaints/appeals			
Client service standards			
Client rights and responsibilities			
Tenant participation			

- 2 Who are the present target groups? Are there plans to change these in future? If support services are required how are these obtained?
- 3 What post occupancy evaluation and/or tenant satisfaction surveys have been done or are planned?
- 4 What client referral arrangements are in place?
- 5 What are the main issues/difficulties the organisation has faced so far in tenancy management? How have these been addressed?
- 6 What are the organisation's plans/intentions for service accreditation?

- 7 What are the key differences, in your view, that being a tenant of your organisation makes compared to being:
- a private tenant?
 - a public housing tenant?

3.4 Property management

(For officials/ directors as appropriate)

- 1 What documentation of key elements of the asset management policy/plan/ standards is in place or under development?
- 2 What are the main issues and difficulties faced so far by the organisation in asset management? How have these been addressed?
- 3 What benchmarks for maintenance expenditure and upgrading have been adopted? On what basis were these determined?

3.5 Financial performance

(For officials/ directors as appropriate)

- 1 Has the organisation experienced periodic or ongoing difficulties in financial management in any of the following areas? If so, what factors have contributed to the problem and how have they been resolved?
 - rent revenue stream
 - land acquisition
 - property development costs
 - provisions for property maintenance and upgrading
 - staffing and administration

3.6 Taxation

(For CEOs/ Directors)

- 1 What taxation rulings and/or concessions has the organisation (or a particular project) benefited from at Commonwealth and Territory levels?
- 2 Are there any concessions that were sought but failed? If so, why?
- 3 Are there any rulings that are pending?
- 4 Are any rulings at risk of being rescinded?
- 5 How have the requirements for tax concessions influenced the policies and business rules of the organisation?

3.7 Organisational development

(For CEOs/ Directors)

- 1 How have you approached board and staff development and organisational capacity building?
- 2 What links have you formed to other agencies in the housing and social services sectors? In what main ways have those links assisted you to meet your organisation and service-building needs?
- 3 In terms of capacity and expertise, what are the main difficulties you have faced so far as an organisation in achieving your business plans?
- 4 What internal strategies and/or initiatives of government (or other bodies) would assist you to meet your organisational needs in future?

APPENDIX C: ADDITIONAL AFFORDABLE HOUSING PROVIDERS NOT INCLUDED IN CHAPTER 4

Metro Housing

Metro Housing Limited is a not for profit public company limited by guarantee. It was founded in 1996 in NSW by a group of high profile professionals with expertise in architecture, planning, land economics and development finance, project management and accountancy, who were concerned about a decline in affordable housing in Australia. The Company's mission is to promote and deliver quality affordable housing in established metropolitan areas throughout Australia to households on low to moderate incomes that wish to live and work in their local area (www.metrohousing.org.au). The Company was founded with a strong philosophy of operating in the private market without government support. The Company's intention has been to conduct two broad kinds of services:

- Brokerage of affordable housing models;
- Project devolvement and management.

To date, the Company has undertaken concept and feasibility studies for a small number of projects, mainly for local government or community housing organisations. However, while a number of project development opportunities have been pursued actively, none have been developed.

The Company's business model involves maximising any planning bonuses or concessions in a development, and using those benefits plus normal economic profits of the development to enable retention of a proportion of dwellings (estimated by the Company at between 10 and 25 per cent depending on market conditions), to be retained by them for renting or for sale at sub-market prices. To protect the Company's investment, it is intended that covenants on title would be applied to properties subject to subsidised sale or a rent cap. As the model has not yet been in operation, it is unclear how start up capital would be obtained. Possibilities would include delayed purchase of a (government) site, borrowing by the Company, underwriting by the Directors, or attracting donations.

The failure of the Company to secure any development sites has been attributed to several factors, the most important of which they claim has been the difficulty of securing land for development in an overheated market or from government agencies cautious about mixed developments of market and affordable housing. As noted earlier, however, Metro Housing was responsible for developing the concept for the City Edge project in the ACT. The project was then developed by Community Housing Canberra, yielding 15 units of community housing (12 per cent of the development) funded through planning gains on the site and from development profits achieved through the joint venture.

This Company's experience to date demonstrates the challenges faced by not for profit housing providers operating in a housing system characterised by lack of experience with affordable housing developments, especially at local government level; community opposition to affordable housing projects; and the lack of a national policy framework for affordable housing, as discussed in more detail in Chapter 5.

Singleton Equity Housing Ltd and Supported Housing Ltd

Singleton Equity Housing Ltd (SEHL) is a private shareholder owned company that was established by the Victorian government in 1989 to provide a new affordable and appropriate housing option for people with an intellectual disability, as part of that government's deinstitutionalisation plan. The original Singletons operating model featured a mix of resident equity funding, public equity funding and private debt. When first established, the Singletons model was overburdened with debt, creating viability problems. The model gradually has been restructured, principally by using retained earnings and reserves of the organisation as it has grown to reduce the debt component. As a for-profit Company, however, it has to pay State and Commonwealth taxes that do not apply to not for profit providers. Growth of this model in recent years has been very limited because of perceived viability problems and a lack of government support. However, a new shared equity product is currently under consideration, and Singletons is currently exploring the option of a move to not for profit status.

Shareholders of the Company include residents and families or friends of residents and ethical investors. Non resident shareholders can nominate clients to become tenants of the Company. Resident shareholders pay a weekly service charge to cover the upkeep of their housing. Shareholders hold redeemable preference shares equivalent to the value of their proportion of net assets held by the Company.¹⁰⁴ These entitle the resident to security of tenure, and can be on-sold to future residents or other recognised shareholders. Fifty three properties are owned by Singletons providing housing for about 250 people at any time. Tenancy allocations and support services are managed by support service agencies.

Supported Housing Limited (SHL) was incorporated (under the title of Supported Housing Development Foundation) as a not for profit housing association in 1993, under shared management arrangements with Singleton Equity Housing. In 1999 its governance was strengthened when it became a company limited by guarantee. Supported Housing was established to foster diversification of housing services for people with all types of disabilities in Victoria, at a time when government support for Singletons was declining. Supported Housing is now the dominant agency and has assumed management control of Singletons under contract.

Like Community Housing Limited, Supported Housing Limited is a relatively large and diversified housing provider; but in this case, the Company is focussed on providing housing management services to a single target group – i.e., people with disabilities. At the end of June 2003, the agency had 12.5 full time equivalent staff

¹⁰⁴ At June 30th 2003, contributed equity was valued at \$2.48m, total assets were valued at \$9.14m and net assets at \$3.34m (SEHL, 2003).

positions and 492 properties under management (including 53 owned by Singletons, involving 846 tenants (SHL, 2003).

In keeping with a philosophy of separating housing and support roles, support services are provided through partnership agreements with specialist support providers. The Company's business philosophy is centred on the successful management of quality housing for people with disabilities. Supported Housing uses a variety of procurement means, and undertakes a design and project management role where necessary to achieve the most appropriate housing outcome for the client. The primary sources of Company revenue are rents and fees for service. To support stock acquisition where it occurs, the Company uses government equity under various housing and disability programs and equity from support agencies that, in return, receive nomination rights for their clients. The Company has considered using some operating surpluses to service private borrowings in the past, but has found the need to maintain affordable rents heavily constrains this capacity.

Supported Housing Limited is an experienced housing agency specialising in developing, modifying and managing housing for people with disabilities. It operates more like a private company than as a participatory, not for profit organisation, with about ten members who appoint a small specialist Board. Supported Housing has gained a positive reputation as an efficient and entrepreneurial organisation with a robust business model. Accountability for the agency's performance operates through Corporations Law and under a variety of program guidelines, fee for service contracts, and partnership agreements. The Company's larger scale, experience and established infrastructure should mean it is well placed in future to pursue more property acquisition and development. In response to interview questions about what is needed to achieve expansion of affordable housing models via NGOs like Supported Housing, however, the Chief Executive Officer stated that much greater clarity would be required regarding the nature of affordable housing models and target groups. Since the fieldwork for this study was completed, however, Supported Housing has advised it will seek nomination under the Victorian Affordable Housing Strategy as a Housing Association specialising in housing provision for people with disabilities.

Common Equity Housing Limited

Common Equity Housing Limited (CEHL or the Company) is a not for profit company that was established in 1987 by the Victorian Government in conjunction with the Common Equity Rental Housing Co-operative (CERC) program. The Company acts as the owner/asset manager, program manager and resource agency for the program. In 2004, the Company held title for 1638 properties across Victoria with the vast majority being leased to 111 different housing co-operatives, each of which has been formed around a shared community of interest. Each local co-operative is responsible for tenant selection, tenancy management, responsive and cyclical maintenance and the administration of their organisation.

The CERC program was funded initially under a mixed capital and recurrent funding model. The Office of Housing provided grants equivalent to 65% of the equity in properties acquired under the program and the Company raised commercial borrowings for the remaining 35%. To enable properties to be let at rents similar to public housing, the Office of Housing also provided a recurrent subsidy to meet the difference between the total operating costs of the Company, including debt servicing, and their revenue. In its first decade of operation, CEHL received grants to the value of \$101 million from the Office and accessed a further \$55 million from various lenders. Under these favourable financial arrangements, CEHL expanded quite rapidly in its first and most significant phase of growth. By 1997, CEHL had acquired or purpose-built 1525 properties and was leasing them to local co-operatives in portfolios of 8 to 20 dwellings.

Cessation of funding for additional properties in 1997 led to a period of relative stasis for CEHL. However, the Company has recently embarked on a second phase of growth by utilising their retained earnings combined with funds provided under the Victorian Social Housing Innovations Project (SHIP) launched in 2000/01 (see Section 2.7). Over the two years to 2004/05, the Company has added an additional 101 units across Victoria, using \$8.7 million in SHIP grants and \$7.1 million of retained earnings. Of the Company's total portfolio around 300 have now been purpose-built.

During the period of research for this study, CEHL entered its first joint venture with an aged care provider to construct 60 units within a retirement village development, financed chiefly by retained earnings and private borrowings. CEHL intends to privately sell 48 units as affordable retirement housing and retain 12 to house existing clients who need access to more specific support services. The Company has also embarked on an active phase of upgrading and demolishing or selling unsuitable stock and replacing it with more appropriate housing.

As a mature organisation with a 17-year track record in housing financing, acquisition and management, CEHL is now well placed to provide additional affordable housing in future. Recently, the Company has demonstrated its potential for further expansion using a mix of borrowings secured against asset growth, retained earnings (underpinned by recurrent government subsidies and cost efficient operations) and new opportunities delivered through government grants.

Appendix D: Financial Analysis of City West Housing Pty Ltd

TABLE D1: Income and expenditure City West Housing 2001/02

	Dollars	Percentage of income/expenditure
Land Sale Levy	\$232,000	5.9%
Residential Developer contributions	\$373,970	9.5%
Commercial Developer contributions	\$1,011,287	25.8%
Profits on rental operations	\$1,564,223	39.9%
Interest Income –Bank	\$741,432	18.9%
Total Income	\$3,923,531	100%
Accounting	-\$8,000	2.0%
Advertising	-\$1,841	0.5%
Audit fees	-\$10,800	2.7%
Cleaning	-\$1,483	0.4%
Consultancy fees	-\$3,300	0.8%
Directors Fees	-\$23,600	5.9%
Directors expenses	-\$369	0.1%
Electricity	-\$957	0.2%
Feasibility and investigative work	-\$27,262	6.9%
General expenses	-\$7,585	1.9%
Insurance	-\$2,151	0.5%
Legal expenses	-\$18,196	4.6%
Office supplies	-\$283	0.1%
Minor plant items	-\$1,630	0.4%
Postage and couriers	-\$2,528	0.6%
Telephone rental & calls	-\$6,217	1.6%
Printing & stationery	-\$3,611	0.9%
Publications and subscriptions	-\$1,914	0.5%
Recruitment and training	-\$1,110	0.3%
Rent	-\$30,050	7.6%
Salaries and wages – gross	-\$214,275	53.9%
Tenant participation	-\$1,255	0.3%
Travelling expenses	-\$1,124	0.3%
Wages (on costs)	-\$26,463	6.7%
Fixed assets - written off	-\$1,701	0.4%
Total expenses	-\$397,705	100%
Net profit before depreciation	\$3,525,826	
Depreciation - buildings & legals	-\$1,436,271	
Depreciation - Fixtures and fittings	-\$645,285	
Depreciation - Office equip. & vehicles	-\$10,404	
Net profit (after depreciation)	\$1,433,866	

Retained profits brought forward	\$73,364,427
Retained profits carried forward	\$74,798,293

Note: The staff salaries and on costs relating to development are explicitly excluded from these accounts.

Source: CWH (2003a).

TABLE D2: Estimating the relative impact of affordability levers: the base case

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Number of units	59	125	218	221	283	283	283	283	283	283
Development costs	-	-	-	-	-	-	-	-	-	-
Reversion	22,173,852	16,690,000	-2,967,338	-3,937,993	-7,912,945	-3,493,863	14,650,548	0	0	0
Gross rental income-residential	444,860	942,500	1,643,720	1,666,340	2,133,820	2,133,820	2,133,820	2,133,820	2,133,820	2,133,820
Rental expenses	-134,000	-283,000	-495,149	-501,963	-642,790	-642,790	-642,790	-642,790	-642,790	-642,790
Profit on rental operations	310,860	659,500	1,148,571	1,164,377	1,491,030	1,491,030	1,491,030	1,491,030	1,491,030	1,491,030
City West expenses	-200,000	-200,000	-250,000	-250,000	-397,704	-397,704	-397,704	-397,704	-397,704	-397,704
Net income-excl. development	110,860	459,500	898,571	914,377	1,093,326	1,093,326	1,093,326	1,093,326	1,093,326	1,093,326
Net income incl. development	-	-	-	-	-	-	-	-	-	-
	22,062,992	16,230,500	-2,068,767	-3,023,616	-6,819,619	-2,400,537	13,557,222	1,093,326	1,093,326	1,093,326
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Number of units	283	283	283	283	283	283	283	283	283	283
Development costs	-	-	-	-	-	-	-	-	-	-
Reversion	-	-	-	-	-	-	-	-	-	-
Gross rental income-residential	2,133,820	2,133,820	2,133,820	2,133,820	2,133,820	2,133,820	2,133,820	2,133,820	2,133,820	2,133,820
Rental expenses	-642,790	-642,790	-642,790	-642,790	-642,790	-642,790	-642,790	-642,790	-642,790	-642,790
Profit on rental operations	1,491,030	1,491,030	1,491,030	1,491,030	1,491,030	1,491,030	1,491,030	1,491,030	1,491,030	1,491,030
City West expenses	-397,704	-397,704	-397,704	-397,704	-397,704	-397,704	-397,704	-397,704	-397,704	-397,704
Net income-exc. Development	1,093,326	1,093,326	1,093,326	1,093,326	1,093,326	1,093,326	1,093,326	1,093,326	1,093,326	1,093,326
Net income incl. development	1,093,326	1,093,326	1,093,326	1,093,326	1,093,326	1,093,326	1,093,326	1,093,326	1,093,326	1,093,326

Source: Compiled by authors based on CWH (2003a)

TABLE D3: Land, Building and Fit-out costs CWH – 1995-2013 (\$)

Year ending	Units constructed	Land Acquisitions	Total costs (Land Buildings, Furniture and Fittings)	
			Annual	Cumulative costs
1995	0	52		
1996	59	154	22,173,852	22,173,852
1997	66	29	16,690,000	38,863,852
1998	93	45	2,967,338	41,831,190
1999	3	3	3,937,993	45,769,183
2000	62	57	12,143,762	57,912,945
2001	0	25	3,493,863	61,406,808
2002	0	80	14,650,548	76,057,356
2003	57	0	3,016,443	79,073,799
2004	25	0	3,432,248	82,506,047
2005	0	0	4,406,114	86,912,161
2006	54	0	7,415,046	94,327,207
2007	0	0	0	94,327,207
2008	26	0	6,924,931	101,252,138
2009	0	0	0	101,252,138
2010	0	18	1,844,135	103,096,273
2011	18	0	5,470,960	108,567,233
2012	0	0	0	108,567,233
2013	0	13	1,519,891	110,087,124

Source: Appendix 7 CWH (2003a)

TABLE D4: Net Rental Income CWH – 2002-2013 (\$)

	Number of units rented	Gross Rental Income	Council & Water Rates	Net Water Usage Expense	Insurance	Strata Fees	Repairs and Maintenance	Profit on rental operations
2002	283	2,117,649	199,773	14,726	29,374	36,286	362,361	1,475,129
2003	340	2,736,109	252,490	15,825	35,746	37,047	413,921	1,981,080
2004	365	2,953,849	262,012	19,350	48,550	41,910	654,683	1,927,344
2005	399	3,180,074	278,875	20,119	49,848	42,958	708,286	2,079,988
2006	419	3,517,069	306,233	21,158	55,721	44,032	630,233	2,459,692
2007	419	3,631,343	358,611	21,167	52,031	45,132	752,867	2,401,535
2008	445	3,771,885	374,749	21,501	54,142	46,261	677,892	2,597,340
2009	445	4,161,048	415,913	22,947	61,258	47,417	606,628	3,006,885
2010	445	4,322,232	434,629	23,325	64,342	48,603	659,964	3,091,369
2011	445	4,489,732	454,188	23,714	69,533	49,818	881,085	3,011,394
2012	463	4,852,445	493,824	24,934	78,378	51,063	1,015,138	3,189,108
2013	463	5,040,652	516,047	25,362	83,226	52,340	945,696	3,417,981

Source: Appendix 6, CWH (2003a).

REFERENCES

Primary Documents

Brisbane Housing Company Ltd

BCC (Brisbane City Council) and BHC (Brisbane Housing Company). (2002). *Funding Agreement between BHC and BCC*. BCC: Brisbane Administration Centre.

BHC (Brisbane Housing Company Ltd). (2002a). *Constitution of Brisbane Housing Company Ltd*.

BHC (2002b). *Share Issue Deed of Accession*. Agreement between [New Party] and Brisbane Housing Company Ltd.

BHC (2002c). *Shareholders' Agreement*. Agreement between QHC (Queensland Housing Commission) and BCC (Brisbane City Council).

BHC (2003). *Innovation in Affordable Housing: Business Plan 2002/06*.

DOH (QLD) (QLD Department of Housing) and BCC. (2002). *A Guide to the Brisbane Housing Company: Revised Version June 2002*.

DOH (QLD). (forthcoming). *Post Implementation Review of Brisbane Housing Company*. Review commissioned by DOH (QLD) and BCC.

City of Port Phillip / Port Phillip Housing Association (Inc.)

CPP (City of Port Phillip). (2000). *City of Port Phillip Community Housing Program: Towards 2005*.

CPP (City of Port Phillip). (2003). *The Port Phillip Community Housing Program*. Melbourne: CPP.

CPP (2004). *City of Port Phillip/ Port Phillip Housing Association Inc.: Port Phillip Housing Program 1985-2004: Program Achievements*. Unpublished notes.

City of Port Phillip and The St Kilda Housing Association Inc. (1998). *Management Agreement "The Regal", 5 Little Grey Street, St Kilda*. Agreement between Port Phillip City Council and The St Kilda Housing Association Inc. [now Port Phillip Housing Association Inc.]

PPHA (Port Phillip Housing Association Inc). (2003). *Annual Report 2002-2003*.

The St Kilda Housing Association Inc. (1998). *Rules and Purposes of Incorporation*.

City West Housing Pty Ltd

CWH (City West Housing Pty Ltd). (1994). *An Outline of the Company: Statement of Objects, Principles and Accountabilities*.

CWH (2003a). *2003/04 – 2005/06 Business Plan*.

CWH (2003b). *Annual Report 2002- 2003*.

CWH (2003c). Providing Affordable Housing. Unpublished briefing paper for Preference Shareholders and Directors.

Community Housing Canberra Ltd

ACTCHET (Australian Capital Territory Community Housing Expansion Taskforce). (1997). Report of The ACT Community Housing Expansion Task Force. Canberra, ACT: The ACT Community Housing Expansion Task Force.

CHC (Community Housing Canberra Ltd). (1997). *Articles of Association of Community Housing Canberra Ltd.*

CHC (1998). *Service Purchasing Contract.* Agreement between Australian Capital Territory represented by Department of Urban Services (Purchaser) and Community Housing Canberra (Provider).

CHC (2001a). *By-Law for Community Housing Canberra Limited.* Legal document re: Terms and Conditions for Community Housing Canberra and Providers for Properties within the City Edge Complex.

CHC (2001b). *Corporate Governance Statement.*

CHC (2002). *Redevelopment of MacPherson Court O'Connor, ACT.* Report to Government, April 2002. Canberra, CHC.

CHC (2003a). Annual Report 2002-2003.

CHC (2003b). Requirements for Agreement between the Territory and Community Housing Canberra. Document concerning Community Housing Canberra Proposed Restructure.

RPR (RPR Consulting). (2003). Consultations on the Restructure of Community Housing Canberra Ltd. Report prepared for ACT Department of Disability, Housing and Community Services.

Community Housing Ltd

CHL (Community Housing Ltd). (2003). *Annual Report 2002/2003.*

CHL (n.date). *Constitution of Community Housing Limited.*

Ecumenical Community Housing

ECH (Ecumenical Community Housing Ltd). (2002). *Annual Report 2001-2002.*

ECH (n.date). *Constitution of Ecumenical Community Housing Ltd.*

Inner City Social Housing Company Ltd

ICSHC (Inner City Social Housing Company Ltd). (2002). *Annual Report 2001-2002.*

ICSHC (n.date a). *Trust Deed for the Inner City Social Housing Fund.* Agreement between Melbourne City Council ("Founder") and Inner City Social Housing Company Ltd.

ICSHC (n.date b). *Trust Deed for the Inner City Social Housing Trust.* Agreement between Melbourne City Council ("Founder") and Inner City Social Housing Company Ltd ("Trustee").

ICSHC and ECH. (2003a). *Background Paper to Heads of Agreement between ICSHC Ltd and ECH Ltd.*

ICSHC and ECH. (2003b). *Heads of Agreement.* Articles of merger, ICSHC Ltd and ECH Ltd.

Melbourne Affordable Housing Ltd

MAH (Melbourne Affordable Housing Ltd). (2003a). Constitution of Melbourne Affordable Housing: A Company Limited by Guarantee.

MAH (2003b). Governance: A Director's Guide.

Metro Housing Ltd

Metro (Metro Housing Ltd). (1996). Memorandum and Articles of Association of Metro Housing Ltd.

Metro (2003). Information Memorandum.

Metro (2004). Additional information as listed currently at website: <<http://www.metrohousing.org.au>>.

Perth Inner City Housing Association (Inc.)

PICHA (Perth Inner City Housing Association (Inc.)). (1999). *Application for Funding Facility.*

PICHA (2002). *Deed of Agreement.* Agreement between State Housing Commission, Perth Inner City Housing Association Incorporated and [Name of New Bank].

PICHA (2003a). *Annual Report 2002-2003.*

PICHA (2003b). *Constitution: Perth Inner City Housing Association (Inc.).*

PICHA (2003c). *Housing Guide.*

PICHA (2003d). *Strategic Business Plan.*

Supported Housing Ltd / Singleton Equity Housing Ltd

SEHL (Singleton Equity Housing Ltd). (2003). *Annual Report 2002-2003.*

SHL (Supported Housing Ltd). (2003). *Annual Report 2002-2003.*

SHL (2004). Additional information as listed currently at website: <<http://www.shl.org.au>>.

SHL/SEHL (2003). *Supported Housing Ltd / Singleton Equity Housing Ltd Strategic Plan 2003/04 – 2007/08.*

OTHER REFERENCES

- ABS (Australian Bureau of Statistics). (1998). Real Estate Agents Industry, Australia 1995-96 (Cat No. 8663.0)
- ACG (Allen Consulting Group). (2003). *Better Housing Futures: Stimulating Private Investment in Affordable Housing*. Report for the Affordable Housing Forum.
- ACOSS (Australian Council of Social Services). (2003). Submission to Productivity Commission (2003), *Inquiry on First Home Ownership*. Submission number 147. <www.pc.gov.au/inquiry/housing/subs>.
- ACTAHT (Australian Capital Territory Affordable Housing Taskforce). (2002). *Affordable Housing in the ACT: Strategies for Action*. Report. Canberra: ACT Government.
- AHI (Australasian Housing Institute). (2004). Affordable Housing What's happening and What's Not? *HousingWORKS*, 2 (1): 2-6.
- AHNRC (Affordable Housing National Research Consortium). (2001). *Affordable Housing in Australia: Pressing Need, Effective Solution*. <www.consortium.asn.asu>.
- AIHW (Australian Institute of Health and Welfare). (2001). *Australia's Welfare 2001*. Canberra: AIHW.
- AIHW (2003). *Australia's Welfare 2003*. Canberra: AIHW.
- Badcock, B. (1999) Towards More Equitable Cities: A Receding Prospect? in Troy P., ed. *Australian Cities: Issues, Strategies and Policies for Urban Australia in the 1990s*. Cambridge, UK: Cambridge University Press.
- Bebbington, D. (2001). *Is the City West Affordable Housing Company a Replicable Model for Affordable Housing?* Masters Thesis. Sydney: Housing Studies, Faculty of Architecture, Planning and Allied Arts, University of Sydney.
- Berry, M. (2000). Investment in Rental Housing in Australia: Small Landlords and Institutional Investors. *Housing Studies* 15 (5): 661- 681.
- Berry, M. (2002). *New Approaches to Expanding the Supply of Affordable Housing in Australia: An Increasing Role for the Private Sector*. Final Report. Melbourne: AHURI.
- Berry, M. and Hall, J. (2001). *Policy Options for Stimulating Private Sector Investment in Affordable Housing Across Australia: Stage 1 Report, Outlining the Need for Action*. Sydney: AHNRC. <www.consortium.asn.asu>.
- Berry, M. (2003). Why is it Important to Boost the Supply of Affordable Housing in Australia - and How Can We Do It? *Urban Policy and Research*. 21 (4): 413-435.
- Berry, M., Williams, P., Whitehead, C. and Yates, J. (forthcoming). *Financing Affordable Housing: A Critical Comparative Review of the United Kingdom and Australia*. Final Report. Melbourne: AHURI.
- Boelhouwer, P. (ed.) (1997). *Financing the Social Rental Sector in Western Europe*. Delft: Delft University Press.
- Bratt, R. (2003). Housing for Very Low Income Households: The record of President Clinton, 1993 –2000. *Housing Studies*. 18 (4): 607-635.

- Burke, P. (1998). The Poverty of Homelessness. Ch. 15 in Fincher, R. and Nieuwenhuysen, J. (eds) (1998). *Australian Poverty: Then and Now*. Melbourne: Melbourne University Press.
- Cadman, D. and Topping, R. (1995). *Property Development*. London: E & FN Spon. 4th ed.
- Cardew, R., Purnell, A. and Randolph, B. (2000). *Sydney Housing Affordability Review*. Report for Joint Housing Industry Group. Sydney: University of Western Sydney and University of NSW.
- CHFA (Community Housing Federation of Australia). (2003). *Community – the Place for Affordable Housing: A Future Role for Community Housing in Delivering Affordable Housing*. Positioning paper. Canberra: CHFA.
- COP (City of Parramatta). (2003). *Parramatta Affordable Housing Scheme*. <www.parracity.nsw.gov.au/publications/housingStrategy>.
- COW (City of Willoughby). (1995). Local Environment Plan.
- Clough, R., Barbato, C., Farrar, A. and Phibbs, P. (2003). *Stakeholder Requirements for Enabling Regulatory Arrangements for Community Housing in Australia*. Sydney: AHURI (Sydney Research Centre / National Community Housing Forum).
- COA (Commonwealth of Australia). (2003). *Commonwealth State Housing Agreement, Housing Assistance Act*. Canberra: COA.
- CDHRD (Commonwealth Department of Housing and Regional Development). (1995). *Social Housing Subsidy Program (SHSP) Determination and Terms and Conditions*. Sydney: Commonwealth Department of Housing and Regional Development.
- Dall, M. (2003). Public-Private Community Partnerships. Paper presented at Money Matters: Financing Social Housing Seminar, Shelter NSW, November 2003. <www.sheltersnsw.inboxchange.net.au/Publications/becton.pdf>
- Davis, J. E., ed. (1994). *The Affordable City: Toward a Third Sector Housing Policy*. Philadelphia: Temple University Press.
- DHW (WA) (WA Department of Housing and Works). (2001). *Joint Venture Housing Program: Guidelines*. Report by WA Government. Perth: DHW.
- DHW (WA). (2003). *Community Housing Strategic Plan 2003-2008*. Perth: DHW.
- DOH (NSW) (NSW Department of Housing). (2003a). *Annual Report 2002-2003*. Sydney: DOH (NSW).
- DOH (NSW). (2003b). Changing the Structure of Social Housing Delivery in NSW. Issues Paper 8. Unpublished.
- DOH (QLD) (Queensland Department of Housing). (2001). *Affordable Housing in Sustainable Communities: Strategic Action Plan*. Brisbane: DOH (QLD).
- DOH (QLD). (forthcoming). *Post Implementation Review of Brisbane Housing Company*. Brisbane: DOH (QLD).
- DOI (Department of Infrastructure). (2002). *Melbourne 2030: Planning for Sustainable Growth*. <www.dse.vic.gov.au/melbourne2030online>.
- DOP (NSW Department of Planning). (1992). *Sydney Regional Environmental Plan No. 26 City West (REP)*. Sydney: DOP.

- Dreier, P. and Atlas, J. (1995). US Housing Problems, Politics and Policies in the 1990s. *Housing Studies*. 10 (2): 245-269.
- DUAP (NSW Department of Urban Affairs and Planning). (1995). *Sydney Regional Environmental Plan 26 Amendment No.4 (Affordable Housing)*. Sydney: DUAP.
- Elton, B. et al. (2000). *Private Finance and Community Housing: Recent Initiatives*. Paper prepared for National Community Housing Forum.
- Foard, G., Karmel, R., Collet, S., Bosworth, E., and Hulmes, D. (1994). *Public Housing in Australia*. Canberra: Australian Institute of Health and Welfare.
- Forster, C. (1999). *Australian Cities. Continuity and Change*. Oxford: Oxford University Press, Oxford. 2nd ed.
- Gleeson, B. and Low, N. (2000). *Australian Urban Planning: New Challenges, New Agendas*. Sydney: Allen & Unwin.
- Greenhalgh, E., Miller, A., Minnery, J., Gurrán, N., Jacobs, K and Phibbs, P. (2004). *Boarding Houses and Government Supply Side Intervention*. Final Report. AHURI, Melbourne.
- Gurrán, N. (2003a). *Housing Policy and Sustainable Urban Development: Evaluating the Use of Local Housing Strategies in Queensland, New South Wales and Victoria*. Final Report. Melbourne: AHURI.
- Gurrán, N. (2003b). Housing Locally: Positioning Australian Local Government Housing for a New Century. *Urban Policy and Research*. 21(4): 393-412.
- Hall, J. and Berry, M. (2004). *Operating Deficits and Public Housing: Policy Options for Reversing the Trend*. Final Report. Melbourne: AHURI.
- Hall, J., Berry, M. and Carter, G. (2001). *Policy Options for Stimulating Private Sector Investment in Affordable Housing Across Australia: Stage 2 Report, Identifying and Evaluating the Options*. Sydney: AHNRC <www.consortium.asn.as>.
- Harding, A. and Szukalska, A. (2000). *Financial Disadvantage in Australia, 1999. The Unlucky Australians*. Canberra: NATSEM/ Smith Family, University of Canberra. <www.smithfamily.com.au/documents/Fin_Disadv_Report_Nov_2000.pdf>.
- Henderson, R. (1975). *Poverty in Australia*. First Main Report. Australian Government Commission of Inquiry into Poverty. Canberra: AGPS.
- Hill PDA. (2002). *Literature Review of National & International Experiences and Practices in the Provision of Affordable Housing*. Report for ACT Government. Sydney, Hill PDA.
- Housing Corporation. (2001). *Treading the Boards: A Self-Assessment Framework for Board Performance*. London: Housing Corporation.
- Housing Studies*. (1997). Special Issue: Social Rented Housing: Recent Changes in Western Europe. 12 (4): 421-588.
- Hulse, K. (2002). *Demand Subsidies for Private Renters: a Comparative Review*. Final Report. Melbourne: AHURI.

- Hupe, P. L. and Meijs, L. C.P.M. (2000). A Hybrid Domain: the Field of Social Housing. In *Hybrid Governance: the Impact of the Nonprofit Sector in the Netherlands*, edited by P. L. Hupe, Meijs, Lucas C.P.M. and Vorthoren, M. H. Rotterdam: Social and Cultural Planning Office, Erasmus University.
- Jones, M. A. (1972). *Housing and Poverty in Australia*. Melbourne: Melbourne University Press.
- Jones, M. A. (1983). *The Australian Welfare State*. Sydney: Allen & Unwin.
- Joye, C., Caplin, A., Butt, P., Glaeser, E., Kuczynski, M., Gans, J., King, S., Moloney, D. and Bor, A. (2003). *Summary of Findings for the Prime Ministerial Taskforce on Home Ownership Vol. 1, 2 & 3*. Canberra: Menzies Research Centre.
- <<http://www.mrcld.org.au/secure/SNAPSummary%20of%20Findings.pdf>>. Viewed April 2004.
- Katz, B. and M. Turner. (2003). Rethinking Local Affordable Housing Strategies: Lessons from 70 Years of Policy and Practice. Discussion paper prepared for Brookings Institute Center on Urban and Metropolitan Policy and the Urban Institute, Washington.
<<http://www.brookings.edu/dybdocroot/es/urban/vouchers/report.pdf>>.
- Kennedy, R. and Company Pty Ltd. (2001). *A Regulatory Framework for Community Housing in Australia: Volumes 1 and 2 (National Community Housing Forum)*. Report. Sydney: NCHF. <<http://www.nCHF.org.au/publications.html#general>>
- King, A. (1997). *The Changing Face of Australian Poverty*. Discussion Paper no. 23. NATSEM, University of Canberra, Canberra.
- Larkin, A and Lawson, J. (1998). *Financing Arrangements for Social Housing in England, The Netherlands, Denmark and Germany*. Sydney: National Community Housing Forum.
- McDonald, P. (2003). *Medium and Long-Term Projections of Housing Needs in Australia*. Final Report. Melbourne: AHURI.
- McNelis, S., Hayward, D. and Bissett, H. (2002). *A Private Rental Investment Vehicle for the Community Housing Sector*. Final Report. Melbourne: AHURI.
- McNelis, S. and Burke, T. (2004). *Rental Systems in Australia and Overseas*. Positioning Paper. Melbourne: AHURI.
- McNelis, S. and Herbert, T. (2003). *Independent Living Units: Clarifying their Current Role as an Affordable Housing Option for Older People with Low Assets and Low Incomes*. Melbourne: AHURI.
- Milligan, V. (2003). How Different? Comparing housing policies and housing affordability consequences for low income households in Australia and the Netherlands. *Netherlands Geographical Studies*. 318. Utrecht: University of Utrecht.
- Milligan, V., Phibbs, P. and Gurrán, N. (forthcoming). *The Practice of Affordable Housing Delivery in Australia*. Melbourne: AHURI.
- Mills, C. (2003). Sustainability of the Social Housing System and Options Open to the Department of Housing. Paper presented at Money Matters: Financing Social Housing Seminar, Shelter NSW, November 2003. <www.shelterNSW.inboxchange.net.au/Publications/sem031119mills.pdf>

- Ministerial Task Force on Affordable Housing. (1998). *Affordable Housing in NSW: The Need for Action*. Sydney: DUAP.
- Ministerial Taskforce on Affordable Housing. (2002). *Affordable Housing in the Australian Capital Territory: Strategies for Action*. Canberra: Department of Urban Services, ACT Government.
- MOL (Mayor of London). (2002). *The Draft London Plan: Draft Spatial Development Strategy for Greater London*. <www.london.gov.uk/mayor/strategies/sds/draft_london_plan_download.jsp>. Viewed April 2004.
- Monk, S. and Whitehead, C. (eds). (2000). *Restructuring Housing Systems: from Social to Affordable Housing?*. York: Joseph Rowntree Foundation.
- Morris, M. (2000). Incentive Zoning: Meeting Urban Design and Affordable Housing Objectives. *American Planning Association Planning Advisory Service Reports*. 494: 1-64.
- Mullins, D. *et al.* (2003). *Non Profit Housing Organisations in Ireland, North and South: Changing Forms and Challenging Futures*. Belfast: Northern Ireland Housing Executive.
- Murphy, E. (2001). Corporatisation and Accountability: the Case of City West Housing Pty Ltd. *Australian Journal of Administrative Law* 8: 100-115.
- Myers, M. *et al.* (2001). A Proposal to Develop a Central Queensland Affordable Housing Trust. Brisbane: Queensland Community Housing Coalition.
- NCHF (National Community Housing Forum). (1999). *Community Housing Mapping Project: Report on Findings*. Sydney: NCHF & Australian Institute of Health and Welfare. <<http://www.nCHF.org.au/publications.html>>.
- NCHF. (2002). *Community Housing Research and Development: Report on Capacity Development*. <<http://www.nCHF.org.au/publications.html>>.
- NCHF. (2003). *Community Housing Regulation: Manage the Risks – Develop the Industry*. <<http://www.nCHF.org.au/publications.html>>.
- NSWFHA (NSW Federation of Housing Associations). (2003). *Future Directions in Corporate Governance: Community Housing Corporate Governance Project*. Sydney: NSWFHA.
- PC (Productivity Commission). (2003a). *First Home Ownership*. Productivity Commission Discussion Draft, Melbourne, December 2003. <www.pc.gov.au/inquiry/housing>.
- PC (2003b). No Quick Fix for Housing Affordability. Media Release. 18th December 2003. <www.pc.gov.au/inquiry/housing/draftreport/mediarelease.html>.
- Priemus, H. (2003). Social Housing Management: Concerns About Effectiveness and Efficiency in the Netherlands. *Journal of Housing and the Built Environment* 18 (3): 269-279.
- Randolph, B. (2004). Getting on With it: Policy Frameworks and Practical Challenges for Housing Affordability Strategies. Unpublished paper delivered at Seminar on Affordability, Financing and Fairness, WSROC, Blacktown, 30 January 2004.

- Randolph, B. and Holloway, D. (2003). *Shifting Suburbs: Population Structure And Change In Greater Western Sydney*. Report prepared for the Western Sydney Regional Organisation of Councils (WSROC) Ltd by the Urban Frontiers Program of the University of Western Sydney, May 2003, mimeo.
- RBA (Reserve Bank of Australia). (2003). Submission to Productivity Commission (2003), *Inquiry on First Home Ownership*. Submission number 199. <www.pc.gov.au/inquiry/housing/subs>.
- RPR Consulting. (2003). *Consultations on the Restructure of Community Housing Canberra Ltd*. Canberra: ACT Department of Disability, Housing and Community Services.
- Satsangi, M. and Dunmore, K. (2003). The Planning System and the Provision of Affordable Housing in Rural Britain: A Comparison of the Scottish and English Experience. *Housing Studies* 18 (2): 201-217.
- SCRCSSP (Steering Committee for the Report of Commonwealth/State Service Provision). (2004). *Report on Government Services 2003*. Canberra: Australian Government. <www.pc.gov.au/gsp/2003/index.html>.
- SCSI (Standing Committee on Social Issues). (2003). *Report on Community Housing*. Sydney: Legislative Council, NSW Government.
- SSCC (South Sydney City Council). (1999). Local Environment Plan.
- Shelter NSW. (2004). *Implementation of the Recommendations of the Report of the Ministerial Task Force on Affordable Housing (1998): Update on Progress and Results*. <<http://www.sheltersnsw.infoxchange.net.au/docs/mem0403mtf-update.pdf>>
- Spivak, G. (1999a). *Sharing the Responsibility: The Role of Developer Contributions in the Provision of Lower Income Housing in California and its Implications for Victoria*. Masters Thesis. Melbourne: Department of Sociology, Swinburne University of Technology.
- Spivak, G. (1999b). Addressing Housing Need – Local Government as a Contributor but not a Panacea. *Parity*. 12(5): 15-16.
- Stegman, M. (1999). *State and Local Affordable Housing Programs: A Rich Tapestry*. Washington: Urban Land Institute.
- Tasmanian Government. (2003). *Affordable Housing Strategy Tasmania 2004-2008*. Hobart.
- Urban Studies*. (2002). Special Issue: Social Housing and Policy in the European Union. 39 (2).
- van der Heijden, H. and Haffner, M. E. A. (2000). Housing Expenditure and Housing Policy in the Western European Rental Sector. *Journal of Housing and the Built Environment* 15(1): 71-92.
- WACHC (Community Housing Coalition of WA). (2003). *Community Housing in W.A.: The Place for Affordable Housing*. Perth: WACHC.
- Waverley Council. (2001). *Provision of Affordable Housing through Development Incentives*. Unpublished mimeo, April.
- White, S. M. (1992). Affordable Housing: Proactive and Reactive Planning Strategies. *Report – American Planning Association, Planning Advisory Service*.

- Whitehead, C., and Crook, T. (2002). The Achievement of Affordable Housing Through the Planning System. Chapter 19 in Monk and Whitehead, *op. cit.*
- Whitehead, C., Monk, S. and Smith, K. (2002). *Planning Obligations and Affordable Housing*, ed. S. Monk. London and Cambridge, UK: School of Economics and Political Science, and Cambridge Centre for Housing and Planning Research.
- Wood, G. A. (2001). Promoting the Supply of Low Income Rental Housing. *Urban Policy and Research*, 19(4): 425-440.
- Wulff, M. and Maher, C. (1998). Long-term Renters in the Australian Housing Market. *Housing Studies*, 13(1): 83-98.
- Wulff, M. and Yates, J. (with Burke, T.) (2001). *Low Rent Housing in Australia*. Australian Housing Research Fund Project no. 213. Commonwealth of Australia, Canberra.
- Wyse, C. (2001). *Provision of Affordable Housing Through Development Incentives*. Sydney: Waverley Council.
- Yates, J. (2000). Is Australia's Home-ownership Rate Really Stable? An Examination of Change between 1975 and 1994. *Urban Studies*. 37(2): 319-342.
- Yates, J. (2001). The Rhetoric and Reality of Housing Choice: the Role of Urban Consolidation. *Urban Policy and Research*, 19(4): 491-527.
- Yates, J. (2003). *A Distributional Analysis of the Impact of Direct and Indirect Housing Assistance*. Final Report. Melbourne: AHURI. <http://www.ahuri.edu.au/attachments/60098_appendices.pdf>.
- Yates, J. and Wulff, M. (2000). W(h)ither Low Cost Private Rental Housing? *Urban Policy and Research* 18(1):45-64.
- Yates, J., Wulff, M. and Reynolds, M. (2004). *Changes in the Supply of and Need for Low Rent Dwellings in the Private Rental Market*. Positioning Paper. Melbourne: AHURI <www.ahuri.edu.au/global/docs/doc592.pdf>.
- Yates J., Berry, M., Burke, T., Jacobs, K., Milligan, V. and Randolph, B. (forthcoming). *Housing Affordability for Lower-Income Australians*. Plan for Collaborative Research Venture. Melbourne: AHURI.

AHURI Research Centres

Sydney Research Centre
UNSW-UWS Research Centre
RMIT-NATSEM Research Centre
Swinburne-Monash Research Centre
Queensland Research Centre
Western Australia Research Centre
Southern Research Centre

Affiliates

Northern Territory University
National Community Housing Forum



Australian Housing and Urban Research Institute

Level 1, 114 Flinders St, Melbourne VIC 3000

Phone +61 3 9660 2300 Fax +61 3 9663 5488

Email information@ahuri.edu.au Web www.ahuri.edu.au