



**Comments on the draft document,  
'Planning for the future: community  
housing – five year strategy for growth  
and sustainability 2007-2012'  
(Office of Community Housing, 2007)**

To:  
Office of Community Housing  
Department of Housing  
Locked bag 4001  
Ashfield BC NSW 1800

From:  
Shelter NSW  
Suite 2, Level 4, 377-383 Sussex Street, Sydney 2000  
[www.shelternsw.org.au](http://www.shelternsw.org.au)

28 June 2007

Enquiries:  
Mary Perkins  
Executive Officer  
(02) 9267 5733

**Comments on the draft document, 'Planning for the future: community housing – five year strategy for growth and sustainability 2007-2012' (Office of Community Housing, 2007)**

Shelter NSW

28 June 2007

*The Minister for Housing, Matt Brown MP, released a consultation draft of a document, 'Planning for the future: community housing – five year strategy for growth and sustainability 2007-2012' (Office of Community Housing, 2007), on 23 April 2007. The Office of Community Housing invited written comments by June 30. This document is the response from Shelter NSW.*

**Vision and target**

We welcome the vision for government-subsidized and -regulated community housing in New South Wales, as a housing submarket that provides more opportunities for very low, low, and moderate-income people and socially disadvantaged people to access housing that is suitable to their needs. A key element of this is an expansion of supply of housing provided by nonprofit nongovernment housing providers (whether the dwellings are owned by those providers themselves or headleased from a government agency or a private owner).

The second aspect of the proposed vision is responsive services. This might be seen as self-evident or self-congratulatory, but we think it is important for the government and the sector to note the special focus that nonprofit housing providers can give to customer service, since they do not have to balance this with 'shareholder value' in the way that commercial housing providers do.

These aspects of the community housing sector are sufficient to make it worthy of public support. In recent years there has been a 'buzz' in housing research and housing policy milieus about the potential role of nongovernment providers to decisively contribute to growth in the supply of the nonprofit rental housing sector because of their potential to 'leverage' investment capital in a way state/territory governments have not been prepared to do with their significant social housing assets. Recent NSW government policy and funding to government-owned affordable rental housing – both mainstream public housing and Aboriginal housing owned by the Aboriginal Housing Office – suggest there will not be dramatic increases in supply in those subsectors over the next decade. For this reason we welcome the draft strategy's intention of positioning some community housing providers to deliver on the 'buzz'.

We support the draft strategy's inclusion of a growth target over the next few years. Whether a target of 30,000 is adequate is another matter. From information provided by OCH officers at consultations held on the draft strategy, we understand that 5,000 of the extra 17,000 dwellings proposed, that is, nearly a third of those dwellings, is to come from stock transfers from public housing (i.e. outsourcing of the property and tenancy management of government-owned dwellings). If that is the case, then the strategy will not be delivering as many 'opportunities' to people as the target suggests. We support the stock transfer process where it can deliver better tenancy outcomes for tenants. But we note that 5,000 dwellings proposed over 10 years is no acceleration of the current transfer rate set by the Commonwealth State Housing

Agreement 2003-08. Moreover, stock transfers are basically an outsourcing exercise by government which do not, of themselves, lead to a greater supply of affordable rental housing. (That can only happen if the terms of the transfer facilitate it, such as is hoped for by the proposed long-term leases on 600 dwellings.)

We are greatly concerned about the way the draft strategy indicates it will offer a *new* stream of housing called ‘affordable housing’. For a start, the intermediate rental housing it seems to refer to is already provided in New South Wales, including by City West Housing, Mission Australia, St George Community Housing (for the Centre for Affordable Housing and Randwick Council), South West Inner Sydney Housing (for Waverley Council), North Shore Community Housing (for Willoughby Council), and Newmacq Community Housing, to name the obvious – so this product type is not ‘new’. But more basically, community housing (and indeed public housing) in the form and terms currently provided in New South Wales are themselves affordable housing using the definitions adopted by the National Framework for Action on Affordable Housing, the Department of Housing’s own Centre for Affordable Housing, and the Environmental Planning and Assessment Act. What the draft strategy wants to do is open up (more) the types of product being provided by community housing providers and use the moniker ‘affordable housing’ for those new providers. That is inappropriate, inconsistent with usage and practice in government (including other business units in the Department of Housing), and confusing for the public and stakeholders. This confusion is repeated in the Glossary and at a number of other places in the draft (eg. Action 4.16).

What we think the draft strategy is alluding to on this matter – and which we support – is facilitation of community housing providers to (choose to) provide a product that differs from social housing (as currently provided by the Department of Housing, by community housing providers registered with the Office of Community Housing, or by Aboriginal community organizations registered with the Office of Aboriginal Housing). The nature of that product is in a state of flux (development) at the moment, and should not be prescribed in advance, but it would have these characteristics:

- It is not allocated (only) to people on very low incomes, but rather to people on low-moderate incomes. Tenancies might include some very low-income households; the mix of household incomes in a housing development should be left solely to the provider.
- It does not necessarily have rents set on an income-based affordability benchmark, such as 30% of household income. It might choose to use that approach. But, alternatively, it might choose to set rents at some proportion of the market rent (e.g. 75%) and tenants would achieve affordability outcomes for themselves by accessing Commonwealth rent assistance.
- It is not allocated primarily, or necessarily, to tenants with complex needs requiring accommodation support. The community housing provider/landlord would not be forced to become a broker of welfare services for its tenants, just as private real estate agents are not for their tenants (whatever their welfare needs).
- It could provide more secure leases to tenants, in contrast with the periodic and re-assessable tenancies characteristic of public housing tenancies allocated under the ‘NSW government plan for reshaping public housing’.

## **Theme 1: growth and innovation**

This is an appropriate objective for planning for the sector, noting our previous comment that it would be wrong to exaggerate growth in the number of dwellings managed by community housing providers as being growth in the supply of affordable housing – to that extent that such growth is simply an outsourcing of management of government-owned dwellings that would have been managed as affordable housing anyway.

This section is deficient in that it does not commit the Government to handing title (outright ownership) of some public housing dwellings to community housing providers. Transfer of ownership ('title') of government-owned social housing dwellings to community housing providers would provide an asset base which they could use to finance an (additional) stock acquisition program. Instead, the Government has offered a pilot scheme of 600 35-year leases to three housing associations with an expectation that those associations will be able to use those leases (i.e. the security of the revenue-stream from the tenants) to generate \$11 million in loans from the private sector (Cherie Burton MP, Minister for Housing, 'Iemma Government will invest more than \$230 million to deliver more affordable rental housing', media release, 20 March 2007). We suspect that choosing a path of long-term leases is a riskier path for delivering this outcome than handing over title to some of the public housing dwellings.

### **Proposed actions**

1.1. We have concerns about the 'proportionality principle' being applied as a condition for government assistance to the sector. Our first concern is that it is, in effect, a passing on of an aspect of the Department's public housing product, namely a targeting of eligibility for housing assistance under the Government's 'Plan for reshaping public housing'. Our disagreement with the changes to income eligibility for housing assistance effective from 1 July 2006, and to other allocation criteria not yet introduced under that plan, is that they re-jig the nature of the target customer base for housing assistance from one defined by 'very low income' to one defined by 'very low income plus other housing need'. This might seem more 'equitable' in an environment of rationing, but we believe it will have perverse social consequences; we acknowledge our concern on these matters will only be able to be backed-up by a social impact assessment of those changes when they are all bedded down. Our second concern is that the Government is taking a risk that the principle will not have a negative effect on the fiscal viability of the new dwellings and products to be developed by community housing providers. Even were the Government committed, because of its own narrow interpretation of what a 'social justice' policy looks like, to constrain public and current community housing models by the framework of 'Reshaping', it could relax or remove the stricture for growth initiatives and for joint ventures/partnerships. The 'proportionality principle' could limit providers' financial modelling for business growth and limit their capacity to attract private investment.

1.3. We support the proposal for the Department of Housing to direct an increased proportion of new supply and asset reconfigurations through community housing providers. Our reasons are two. First, community housing providers have been able to get higher ratings on customer satisfaction surveys than public housing providers, as

reported by the Australian Institute of Health and Welfare. We suspect a key reason for this is a more customer-sensitive approach possible with small customer numbers per provider. Second, where the stock is used to leverage resources to build more affordable rental housing (as indicated in the draft strategy), it will be better use of the assets.

1.4. We support outsourcing of property and tenancy management of some public housing dwellings to nongovernment organizations, for the reasons indicated at Action 1.3, with the qualification indicated in the introductory comments on this theme (above).

1.5. We support a tactical focus on a subset of housing associations to develop competencies and assets for entrepreneurial-based growth. This makes sense from the point of business strategy. We note, however, that the successful associations will be at risk of losing some of the advantages they have had as smaller outfits managing a small number of dwellings with a social justice ethos. As they become social enterprises with a much more business-like orientation, and if their property holdings are dispersed geographically (as is already the case with some associations, like St George Community Housing, Women's Housing Company, and Cumberland Housing), they will have a challenge in retaining the economies of small scale that they have now in the area of customer service. We caution, however, against allowing a focus on some growth providers to detract from the nurturing that needs to be done with current housing associations, rental housing cooperatives, homelessness agencies, disability housing providers, etc., to continue to provide a client-focused product. Wanting to do 'better' does not mean that there is no 'good' what we have now.

## **Theme 2: diverse and flexible responses**

See general comments on this theme, above.

### **Proposed actions**

2.1. We have made comments on the 'proportionality principle' above, which is relevant to the matter of greatest need. On the matter of a common access framework, we note that some housing associations already have a pilot, common access mechanism, coordinated by the NSW Federation of Housing Associations. The Association to Resource Cooperative Housing has indicated it would like to do the same for the rental housing cooperatives ('Response to the Inquiry into the Allocation of Social Housing', February 2006).

We think this Action is appropriately a 'yellow' matter (i.e. 'Department will support the sector to lead these actions'), not a 'blue' matter (i.e. 'Department will lead these actions').

While we support the initiatives of the Federation of Housing Associations and the Association to Resource Cooperative Housing, we believe they are separate from a proposal discussed by the Department some years ago, namely the idea of a common social housing register for social housing tenants (including public housing tenants). Such a proposal has been overtaken by developments in nonprofit affordable rental

housing (provided by government agencies or nongovernment organizations). While a common housing register (with core elements of a common application form and waiting list database) could have some efficiency benefits where an applicant is seeking a more-or-less similar social housing product – albeit provided by a range of providers – it becomes entirely problematic if the nature of the affordable housing product being provided by an affordable housing provider varies from the typical.

2.2. We support greater engagement of community housing providers with welfare agencies where relevant to delivering better housing outcomes. This includes participation in the Government’s ‘Housing and Human Services Accord’. It is important at the state level for the NSW Federation of Housing Associations to be involved in Accord advisory/implementation bodies at the highest level appropriate. At the local level, it will be important to monitor (and redress if necessary) whether the Accord has an unintended perverse effect of discriminating against applicants who cannot ‘bring’ a formal support relationship with them to the social housing access point. The ‘informal’ support provided by families and friends might well be just as, or even more, effective in enabling a person with complex needs maintain an independent tenancy in a social housing dwelling. This point was stressed to us by consumer/family participants at a conference we held in Sydney in May on *Housing and support for people with disability*.

2.8. This proposed action, of ensuring increased applicant awareness of community housing, is best referred to Theme 4, where indeed it is duplicated at Action 4.16.

This section of the draft strategy does need another action about recognizing tenants’ aspirations, and that is on the matter of lettings and choice. Most community housing providers currently have a more flexible approach to offering a dwelling to a new tenant, than does the Department of Housing with public housing. The Department makes ‘two reasonable offers’ of a dwelling that it considers will meet the new tenant’s housing and locational needs. If the applicant rejects those two offers, they are removed from the Housing Register.

This strict approach contrasts with typical practice in the community housing sub-sector. More than half (56%) of community housing workers surveyed as part of a national research project on social housing allocation system said that their agency placed no limit to the number of offers an applicant could turn down (Kath Hulse and Terry Burke, *The changing roles of allocations system in social housing*, final report, AHURI, March 2005). The report’s authors commented that such practice seemed ‘something of an anomaly’ (compared with the practices of public housing authorities) because of the high needs basis of community housing clients and the pressure on places in that sub-sector, but that it might be based on practical experience about factors helping the sustainability of tenancies in the longer term.

2.9. Rental housing cooperatives form a small and discrete part of the community housing sector, providing an efficient (and value-for-money) form of provision because it captures the unpaid labor of the tenants in housing management.

A new direction could assist the cooperative movement in adding to the growth of the social housing sector. That is a common equity model, where the cooperative has title over the property. This model does not exist in New South Wales, but a Common

Equity Rental Cooperative Program has operated successfully in Victoria for over 20 years. The Office of Community Housing *operational guidelines* for community housing produced in 1998 foreshadowed the emergence and implementation of this model in New South Wales, but there has been no government action on this. This direction would involve transfer of title of public housing properties to a tenant cooperative, in the same way we suggested should be done for some community housing associations: it would enable the cooperative to use its asset as a basis for borrowing private finance for expansion.

Another possible new direction that might suit some public housing tenants is to enable current tenants to form housing cooperatives to manage a cluster of dwellings on a cooperative basis (Craig Johnston and Jen Lumsden, ‘Tenant management, cooperatives, and public housing’, Association to Resource Cooperative Housing, June 2004). This model – called tenant management cooperatives in England – is similar in essence to the current rental housing cooperatives, the difference being that they form from within the existing public tenant population. This model would not increase the supply of affordable housing, but it would give public housing tenants, who are interested in it, a choice that differs from the standard consumer–provider relation in public housing and housing association housing. Action 3.7 refers to this model, but the matter fits in better with Theme 2 than with Theme 3.

### **Theme 3: stronger communities**

This theme is the weakest in the draft strategy because it lacks a unifying core. This section bundles a number of customer service matters into it, like tenant participation within the operations of a provider’s business, which are more appropriate to Theme 2 since they help deliver appropriate service responses. It also seeks to give roles to nongovernment housing providers that are more appropriate to other parts of the community sector, namely welfare agencies involved in ‘community development’, community capacity-building, social animation, etc. Community housing providers have many challenges before them in adapting to changing tenant needs and developing new skills in their core business. We do not see how it is useful for the Government to be encouraging them to stray from core business and move directly into areas where there are other nongovernment services (e.g. neighbourhood centres) in existence and being funded by the Department of Community Services – or indeed the Department of Housing’s own Housing Communities Assistance Program – to do that work.

Should community housing providers choose to move into provision or brokerage of welfare services and become multi-faceted businesses that is their choice; but we note there is a risk for their tenants from such processes. That is, they might become dependent on the provider not just as a landlord, but as a provider or broker of welfare/support services. This situation could obfuscate the core tenant/landlord relation between individual and the association, which would be exacerbated where there are paternalistic or ‘do-gooding’ management practices. A further negative effect of this could be that tenants might be discouraged from asserting their rights as tenants against their landlord on basic property and tenancy management matters if their relationship with the landlord is complicated by other (welfare support) relationships and dependencies. So, while some housing associations are moving in that direction (under a framework sometimes branded as ‘Housing Plus’), we do not

support the Department of Housing encouraging them to do so. This is not to say that community housing providers, like any local business, should not conduct themselves in a ‘socially responsible’ way: it’s about their focus. Community-capacity building in disadvantaged neighbourhoods should be left to the community organizations who know how to do it. Moreover, tenant participation programs within a particular business should not try pass themselves off as something they are not (i.e. community development): good customer servicing is not community development.

### **Proposed actions**

3.1. We support the two proposed actions here, but note that they are not about ‘social an economic participation by tenants in their communities’ which the heading indicates; rather they are means of encouraging providers to provide appropriate services to their tenants in a way that is sensitive to tenants’ needs. The two proposed actions should therefore be listed under Theme 2 ‘(flexible and diverse responses)’.

3.2. We have concerns about the suggestion that community housing providers should be establishing ‘micro-enterprises’ or other (economic development) activities of a nonhousing nature. That is way out of core business and competence. We note in this regard that the Department of Housing, with far more resources, piloted economic development activities with public housing tenants under the WorkiT scheme a few years ago and pulled back, following an evaluation, because it was beyond core.

3.7. We support a model of tenant-managed cooperatives in social housing (as indicated above) but do not think it need to be limited to estate regeneration (while we note it might have a particularly poignancy for estates). However, this is not a ‘community development’ activity (as the heading indicates); rather it is a means of encouraging providers to provide appropriate services to their tenants in a way that is sensitive to tenants’ needs by merging the management and consumer roles. This proposed action should therefore be listed under Theme 2 ‘(flexible and diverse responses)’.

### **Theme 4: capacity and confidence**

These themes will be critical for community housing providers to contribute exponentially to an expanded nonprofit affordable housing sector. Very few NSW community housing providers have project/dwelling development and construction capacity. None manages a stock portfolio of more than 2,000 dwellings.

### **Proposed actions**

4.1-4.2. We support proposed explicit reference to community housing providers in the Housing Act and a statutory basis for performance-management to manage risk and to encourage private investors’ confidence in the community housing product. We would have concern if the regulations that follow from the legislative amendments were to entangle community housing organizations in red tape. The proposed new statutory-based arrangements will have only one performance indicator of note, and that is the extent to which it delivers a greater degree of private investment in nonprofit affordable rental housing than would have been the case without the legislative change.

4.8. Skills development in the sector is an important point. The changes mooted by the draft strategy will call for new skill sets from managers and employees of housing associations.

4.16. It is clear that a substantial number of social housing applicants have some knowledge of community housing, evidenced by a waiting list of 18,000 persons in New South Wales for 11,500 CSHA community housing dwellings (AIHW data, as at 30 June 2006). However, anecdotal evidence received by our office from public housing tenants suggests that there is little understanding of the community housing product by many public housing tenants who are caught up in stock transfer processes. This situation seems to be causing more anxiety than should be necessary given that the current public housing and community housing varieties of social housing are remarkably similar.

### **Theme 5: viability and sustainability**

As with the matters indicated under Theme 4, these themes will be critical for community housing providers to contribute exponentially to an expanded nonprofit affordable housing sector.

### **Proposed actions**

5.1. The idea of introducing rent-setting formulas into social housing other than income-based ones has been around for some time. Indeed, we have examples of it in New South Wales now – for the affordable rental housing owned by Waverley and Randwick councils that is managed by South West Inner Sydney Housing and St George Community Housing respectively (Sean Armstrong, ‘Local government and community housing associations: project report’, Shelter NSW, 2007). It is also ‘allowed’ under the guidelines for the Department’s Centre for Affordable Housing ‘debt-equity affordable housing’ program.

McNelis and others considered options for attracting private investment into community housing (Sean McNelis, David Hayward and Hal Bisset, *A private retail investment vehicle for the community housing sector*, Australian Housing and Urban Research Institute, July 2002). They concluded that private sector investment in community housing would only be financially feasible for community housing associations targeting households that receive some private income in addition to Centrelink payments. They suggested an affordable rent could be achieved by setting the rent at 75% of market rent where the tenant is eligible for Centrelink rent assistance and has a threshold level of private income. They stressed that this path could be viable for rental housing targeted to moderate-income households, rather than the very-low income households to whom most public and community housing is targeted.

The National Community Housing Forum considered the matter in two discussion papers early this decade (‘Rent structures: a discussion paper’, Ultimo, 2002; ‘The CSHA, workforce disincentives, rents and private finance: Policy Advisory Committee (PAC) discussion paper’, Ultimo, 2003). The 2002 paper said: ‘The principle that should be employed is: rental income should ensure viability, while

rental subsidy should ensure affordability.’ It noted that ‘... any move to new rent structures must ensure a balance between viability, participation incentives and affordability.’

The Forum’s discussion around rent-setting in community housing was predicated on community housing tenants’ eligibility to receive a rent subsidy from Centrelink (if eligible for Commonwealth social security payments). But it noted that the Centrelink rent assistance payment is capped at a level that does not provide affordability in all regional housing markets and is not available to all low-income people (because it is linked to social security status).

We support development and implementation of rent-setting in community housing targeted to low-moderate income households that is based on a proportion of cost-based or market-derived rents, without abandoning affordability outcomes. We suspect that such development is not likely to be effective where community housing allocations are targeted only to those applicants who have a ‘T number’.

We think this Action is appropriately a ‘yellow’ matter (i.e. ‘Department will support the sector to lead these actions’), not a ‘blue’ matter (i.e. ‘Department will lead these actions’). The Department’s interest, as a regulator and funder, should be about outcomes (i.e. affordability), not the means by which a provider ensures such for their tenants.

5.4. Headleasing from the private sector has the positive result of ensuring the relevant dwelling is let to low-income people. The process creates a secondary rental market for low-income renters, and ensures that the low-rent housing stock that there is in the private market is allocated to low-income renters (who compete for low-rent stock in the private market with moderate-high income earners). The option has been called ‘replacement’, i.e. the community housing provider replaces a private landlord as the provider of affordable housing (Judith Yates, Maryann Wulff and Margaret Reynolds, *Changes in the supply of and need for low rent dwellings in the private rental market*, final report, AHURI, June 2004). We are not aware of any research that indicates that properties headleased to community housing providers would not have been leased to low-income renters anyway, or the impacts of this program on the lower-priced segment of rental housing markets in the various regions around the state.

Headleased properties from the private sector creates locational advantages and flexibility, and the arrangement has the advantage of providers being able to house people in need quickly. In addition, community housing providers have a non-discriminatory allocations policy that benefits people (e.g. Aboriginal-Australians) who can experience market access problems in private housing markets. One of the major problems in public housing, particularly, is that the dwellings do not match the needs of a changing market.

Headleasing from the private sector does not increase the supply of affordable housing – just as headleasing from the public sector does not. So there needs to be (what Yates, Wulff and Reynolds call) market supplementation, i.e. the community housing sub-sector needs to be able to contribute net increases in supply of affordable housing, as indicated elsewhere in the draft strategy.

And yet some associations, e.g. Hume Housing Association and Housing Trust (Wollongong), have been able to use the private sector headleasing program dwellings they manage to raise mortgages to buy extra dwellings.

We are aware that there are issues with the Office's current Community Housing Headleasing Program, in particular because of deficits reported by community housing providers from that part of their business ('Community Housing Leasing Program: funding methodology review options paper', Office of Community Housing, March 2007).

(At the same time, we also note that some associations reported – during the consultations on this draft strategy – that stock transfers were not economically viable for housing associations. Those associations reported they were lucky to break even financially with managing such properties. They also reported that currently, more than half of associations make a financial loss on the 'capital properties' they headlease from the Department of Housing (Community Housing Assistance Program). Given this, there seems to be a generalized problem with the various schemes used by the Office to subsidize community housing, and it would be identify only the Community Housing Headleasing Program as being problematical.