



Community Housing
FEDERATION OF VICTORIA

Value Proposition

**Making the Case for Public Housing Transfers to
Community Housing Organisations**



November 2014

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1. Introduction

Australia's social housing is at a crossroads: ageing bricks and mortar tethered to a broken system requires a new direction to sustain a vital service in the face of burgeoning demand.

Much of the country's social housing and the supporting infrastructure, established almost 60 years ago, must be adapted for the 21st Century.

Since the 1980s, successive governments have endeavoured to establish financially sustainable not-for-profit community housing alongside public housing.

In Victoria, the community housing sector has grown stronger over the past 10 years with the introduction of comprehensive regulation, capital grant programs and small scale transfers. In early 2014 the Napthine Government flagged its intention to consider transferring up to 12,000 public housing dwellings to the sector.

This initiative is in keeping with global trends over the past 25 years. Governments in comparable countries have pursued welfare restructuring as a means of maintaining tight fiscal control while stimulating private and community sector activity, and generating greater civic responsibility. Under this model, government becomes a planner, funder and regulator – not a provider of welfare services and infrastructure.¹

Internationally, the best social housing systems have evolved to become dynamic, community-based corporatised models led by the community and not-for-profit sector, in partnership with state housing authorities.

They exist to provide affordable accommodation for people in need of affordable housing and in turn generate stronger communities and individuals.

In Victoria, there is an opportunity to realise the potential of this model. The Director of Housing has commissioned a business case to examine the merits of transferring public housing stock to the community housing sector.

In this paper, the Community Housing Federation of Victoria (CHFV) examines the evidence to support the transfer and the policy context to make it a reality.

Our primary contention is that community housing should play an enhanced role in the better delivery of social housing for Victorians. Cyclical and capital maintenance is an onerous responsibility for Department of Human Services (DHS), which lacks the necessary resources to contend with increasing maintenance costs, high administration overheads, reduced contributions flowing from the National Affordable Housing Agreement, diminishing rental returns and ageing housing stock.

Community housing's distinguishing characteristics include:

- Delivery of high levels of tenant satisfaction;
- Organisations regenerate communities and build engagement;
- Asset management and planning capabilities allow the value of the transferred properties to be realised;

¹ *Public Housing transfers: past, present and prospective*, Australian Housing and Urban Research Institute, October 2013

- Access to Commonwealth Rent Assistance and tax concessions supports cost effective delivery of social housing;
- The ability to raise private finance and confidently service debt means the sector is not a liability for the Government or a regular feature on the Department of Human Service balance sheets;
- Independent and transparent regulation of the sector is in stark contrast to the provision of public housing.

The community housing sector aspires to work in partnership with the DHS to deliver improved standards of asset planning and maintenance to the transferred properties.

The stock transfer provides a unique opportunity for reconfiguration of the social housing system. With the Government and the community, the sector can work hand in hand to help address the critical and growing affordable housing crisis in the state.

Public housing and community housing both have important roles to play in supporting Victorians in need of housing.

2. Tenant satisfaction

Tenants in public and community housing deserve the highest standards of service, underpinned by sound principles and values.

The National Community Housing Standards Manual² sets out the sector's aims based on the needs, rights, aspirations and interests of tenants.

The values ascribed to tenant satisfaction include:

- **Security** - *To ensure that tenants are secure in their housing, are housed in accordance with jurisdictional policy and meet the tenancy agreement;*
- **Affordability** – *to ensure that housing costs do not create hardship for tenants;*
- **Fairness** - *To ensure equitable access to community housing regardless of people's cultural identity, gender, disability, sexual orientation, age and household composition; and to treat tenants fairly in all matters relating to their tenancy, and*
- **Choice** – *to provide people in need of housing with a diverse choice of housing options.*

Tenant satisfaction is an important barometer for State and Commonwealth Governments to assess the effectiveness and suitability of their service to clients. DHS, the Australian Institute of Health and Welfare (AIHW) and community housing organisations regularly undertake surveys and consultations.

Community housing has high rates of tenant satisfaction. Tenants are at least *as satisfied* if not *more satisfied* as tenants in the public housing system, according to a 2012 AIHW survey. The survey indicated that overall 74% of community housing tenants were satisfied with the services provided by their housing organisation, in comparison with 65% in public housing.

The 2010 AIHW National Social Housing Survey asked a sample number of tenants in mainstream [community housing] across Australia to indicate their level of satisfaction overall and satisfaction

² *National Community Housing Standards Manual, Third edition, May 2010, Housing NSW, Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA)*

with the location and amenity aspects of their dwellings. Overall satisfaction levels were high in all states and territories. It found:

“Mainstream [community housing] tenants were very highly satisfied with the amenity aspects of their dwelling: 84% of those surveyed who rated amenity aspects as important reported that their dwelling met their needs in this regard. Just over 90% of tenants who indicated that ease of access and entry was important reported that their needs were met. Surveyed mainstream CH tenants were highly satisfied with the location aspects of their allocated dwelling.”³

The Victorian Housing Registrar’s Sector Performance Report shows that over the past seven years, tenant satisfaction with the housing association services has remained above 85 per cent, with figures for 2012-13 showing an average of 90.6% satisfaction.⁴

Other research demonstrates the high levels of satisfaction and engagement of tenants:

“It is argued that Community Housing Providers [Community Housing organisations] offer more ‘responsive’ services than those typically offered by [state housing authorities] due to their ‘anti-bureaucratic sentiments’ and relatively small size. Another bearing on this consideration is that—unlike Public Housing—[Community Housing organisations] are now formally regulated, and thus subject to externally monitored service provision standards.”⁵

A key benefit of tenant participation for agencies is sustainable tenancies, based on mutual satisfaction of agencies and tenants. Tenant turnover, rents outstanding, vacancies and other measures of tenant dissatisfaction are costly. Tenant participation provides relevant information on an agency’s services from its most affected stakeholders. It is a continuous process where information, ideas and power are shared.”⁶

“The benefits of tenant participation may not be immediately evident, but will evolve as effective communication, involvement and trust develop. Benefits can include:

- *better service delivery and improved value for money;*
- *better communication between staff and tenants;*
- *informed and knowledgeable tenants who have the skills and confidence to influence decisions;*
- *staff and tenants being more aware of each other’s perspectives and organisational and financial limitations; and breaking down misunderstandings, removing mistrust and building mutual respect and understanding.”⁷*

A 2012 study on Cooperative (Rental) Housing⁸ highlighted other criteria for satisfaction in community housing cooperatives, in particular. The study found:

“improved access to education, training and employment leading to reduced dependency on government-funded payments and contribution to the economy as a result of stable, secure

³ *Housing assistance in Australia*, Australian Institute of Health and Welfare, Canberra, June 2011

⁴ *Sector Performance Report 2013-12 Victorian Registered Housing Agencies*, Housing Registrar, Department of Treasury and Finance, Melbourne, May 2014

⁵ *Op cit. Public Housing transfers*

⁶ *Getting Tenants Involved, Good Practise Guide*, Office of the Housing Registrar, Victoria, 2012

⁷ *Ibid*

⁸ *Cooperative (Rental) Housing – A neglected housing option in the midst of a housing crisis An investigation into the economic, social and psychological benefits of Cooperative Housing For The Victorian Rental Housing Cooperative Sector*, Borderlands Co-operative, Melbourne 2012

and affordable accommodation that makes it easier to prioritise educational or job-training opportunities and in-house opportunities for training and skills development.”⁹

The study concluded that the confidence, skills, education and tenants’ increased political awareness was a result of being more involved in the governance and management of their social housing.

The community housing sector looks forward to extending this expertise to new tenants from public housing to ensure satisfied, engaged residents and supported strong communities, in partnership with the State Government and the Department.

3. Strong communities

Historically, Community Housing models have been differentiated from public housing by their focus on what are generally referred to as ‘community development’ goals, such as:

- *tenant involvement in management*
- *a commitment to fostering community development through housing services*
- *flexible housing services that are responsive to diverse needs*
- *linking housing and other services to tenants, such as services for people with a disability.*

Through integrating support services into the provision of housing and operating at a relatively small scale, community housing can deliver additional benefits that go beyond those offered by traditional social housing. These include the capacity ‘to respond to local needs, engage community resources and provide or facilitate a wide range of integrated services to assist tenants.’¹⁰

The Napthine Government’s *New Directions for Social Housing: A Framework for a Strong and Sustainable Future* outlined the purpose of public housing as:

“Public Housing is intended to provide a safety net for those Victorians unable to afford or access the private housing market at a particular time in their lives.

“Victorians require Public Housing for a range of reasons – including as short-term assistance to address a temporary crisis, or as medium-term assistance to help them get back on their feet. Public Housing can also be a longer term measure for some, including the aged and profoundly disabled and who may not be able transition into the private market”¹¹

Community housing organisations understand that successful housing businesses are underpinned by successful tenancies, and tenancies work best in communities that work best. This principle is underscored in the National Community Housing Standards specifically in the following areas:

- **Sustainability** - *To contribute to successful tenancies and the development of sustainable communities, by being supportive of tenants’ wider social needs and building their independence.*
- **Participation** - *To actively seek the participation of tenants in decisions about their tenancy and the management of organisations*

⁹ *Ibid*

¹⁰ *Social Value of Community Housing in Australia*, netbalance (CHFA, PowerHousing and bankmecu), August 2011

¹¹ *Pathways to a fair and sustainable social housing system*, Victorian Government, Department of Human Services, Public consultation discussion paper, April 2012

- **Respect** - To ensure that all tenants' rights are respected and to treat tenants with respect in all dealings.¹²

The goals of public and community housing are complementary and aligned. Both provide housing for people most in need, the majority of who rely on Centrelink payments as their primary source of income. A 2012 AIHW national housing survey¹³ identified that 25 per cent of public housing tenants were employed or looking for work, which was comparable in the community housing sector.

Many tenants in social housing require *intensive, time-limited, coordinated strategies to address... social disadvantage*.¹⁴ The community housing sector has established close ties with the DHS and developed strong working relationships with local support agencies to address the needs of these marginalised tenants. Tenants who may need specialised support include those fleeing family violence and the unemployed. Other groups include recently arrived migrants, young people and those who may require aged care support at home, help with a disability, and liaison with mental health services or assistance exiting the prison system.

Tenants, who receive appropriate support will be healthier, better tenants and good neighbours able to positively participate in their communities.

An analysis of the social return on investment, undertaken by community housing peak bodies, found there was a positive impact on tenants.¹⁵

Community housing organisations have the capacity and will to create locally based management models to accommodate transferred tenants and housing. Examples analysed by the Australian Housing and Urban Research Institute (AHURI) found: *Community regeneration is achieved through coordinated provision of social services, and in some cases 'de-concentration of disadvantage' through dispersal of disadvantaged local residents and/or increasing the number of private dwellings in an area to reduce the proportion of Public Housing and change the area's social mix. Community participation has often been described as an integral element in community regeneration strategies*.¹⁶

In Victoria, successful community renewal programs in partnership with community housing organisations include Kensington with Urban Communities, and Ashwood Chadstone with Port Phillip Housing Association.

The Social Value of Community Housing study¹⁷ quantified the economic benefits of community housing. It found that benefits extend beyond individual tenants to the broader community.

Categories of outcomes identified were grouped and simplified into four broad categories:

- **Economic benefits:** *greater financial flexibility for low-income households as a result of alleviation from 'housing stress';*
- **Educational benefits:**
 - *enhanced educational performance for children in Community Housing*
 - *educational or training opportunities for adults, that will improve their employment prospects*

¹² *Op cit. National Community Housing Standards Manual*

¹³ *National Housing Survey, Australian Institute of Health and Welfare, 2012*

¹⁴ *Op cit. Public Housing transfers*

¹⁵ *Op cit. Social Value of Community Housing in Australia*

¹⁶ *Op cit. Public Housing transfers*

¹⁷ *Op cit. Social Value of Community Housing in Australia*

- **Health benefits:**
 - improved overall health
 - reduced demand for health services for 'heavy-users' and disabled populations
- **Community inclusion benefits:**
 - greater empowerment of tenants
 - emergence of support networks foster self-reliant and independent communities.¹⁸

Community housing specialist organisations have made regeneration and community engagement part of their day-to-day business. This expertise can be mobilised with the transfer of public housing stock to not only regenerate housing estates and re-engage tenants, but also to undertake community renewal programs for surrounding neighbourhoods.

4. Better value

Making Social Housing Work, a blueprint for the sector's future, calls on the State Government to increase the volume and proportion of quality social housing and low cost affordable rental accommodation to meet a critical need.

"In December 2013 there were 33,916 Victorians waiting for public housing, with many more in need. More than 100,000 low-income renters are suffering housing stress."¹⁹

The State Government report, *Victoria in Future; Population and household projections to 2051*, estimates the population will reach 10 million by 2051 with 7.8 million housed in Melbourne.²⁰

Dr Judith Yates, Honorary Associate, School of Economics, University of Sydney, estimates that Victoria will need to develop an additional 2,000 social housing properties every year to reach and maintain the national average of 5% social housing stock.

The Victorian Auditor General has reflected on the need for the State Government to plan ahead to resolve the problems in the system. "*Long-term objectives are important to guide management of an asset base with a long life span that requires substantial lead times for redevelopment or renewal.*"²¹

Community housing organisations are prepared to take on the challenges to help address the challenges in the sector to meet clearly defined objectives.

The Australian Government recognised the sector's untapped potential to improve the delivery of social housing and expand supply through the use of the current asset base. The 2010 report, *Regulation and Growth of the Not-For-Profit Housing Sector* stated:

Leveraging social housing assets for growth

Achieving additional funding for affordable housing from the private sector could be facilitated if social housing assets were held by private organisations [Community Housing organisations] that are able to enter commercial arrangements. This means looking at ways that new debt and equity funding can be raised by developing an affordable housing market that is open to new private investment.

¹⁸ *Ibid*

¹⁹ *Making Social Housing Work; Better homes for low income Victorians*, CHFV et al, Melbourne, March 2014

²⁰ *Victoria in Future; Population and household projections to 2051*, Department of Transport, Planning and Local Infrastructure, Victorian Government, Melbourne, May 2014

²¹ *Access to Public Housing, Victorian Auditor-General's Office, March 2012*

This approach will need to consider:

- *increasing the overall supply of affordable housing by leveraging off the existing asset base and government capital funding*
- *addressing the labour force marginalisation and social exclusion now experienced by many Public Housing tenants*
- *improving ageing, often poorly located, Public Housing stock and concentrations of social disadvantage through urban renewal, and*
- *through these reforms, addressing disadvantage, supporting national economic development and delivering better choices and outcomes for tenants.*²²

A measured and consistent transfer of public housing stock to the community housing sector should form part of a long term strategy for renewal.

Community housing organisations have demonstrated good management practices in their pursuit of maintaining properties at a high standard and utilizing assets to realise their potential.

The sector has stressed its desire to work in partnership with government on redevelopments. This is in preference to current arrangements where Public Private Partnerships allow private companies to profit from government owned land. Public housing stock transfers will help with maintenance and renewal of deteriorating stock as identified in the 2011 DHS budget submission:

*“The increasing, unfunded maintenance liability has led to a deterioration in the asset base. In 2011, it was estimated that around \$600 million would be required for portfolio maintenance over the next three years.”*²³

State and Territory Ministers for Housing, in their 2009 report, affirmed an important role for community housing organisations: *Capable Community Housing providers have the potential to drive an increased supply of social and affordable housing.*²⁴

Stock transfers can unlock the potential of housing assets, create opportunities to house more people and generate greater flexibility in accommodating tenants in appropriately sized properties.

The sector can deliver more affordable housing options based on creative partnerships brokered between the sector, philanthropic groups and the private sector.

5. Real funding

The Public Housing system does not have adequate financial resources to properly manage its portfolio, maintenance, provide growth and invest in tenants’ futures.

The past two decades has seen a dramatic decrease in public housing rent revenue and increases in operating costs. Government policies rationing access to those classified as requiring *early housing* on the Public Housing waiting lists has not been met with commensurate funding, in fact, there has been reduced funding (in real terms) from Treasury.

²² *Regulation and Growth of the Not-For-Profit Housing Sector: Discussion paper*, Australian Government, April 2010

²³ *Department of Human Services 2011 Budget Submission, as referenced in Victorian Auditor-General’s Office (2007)*

²⁴ *Implementing the National Housing Reforms, a Progress Report to the Council of Australian Governments from Commonwealth, State and Territory Housing Ministers, November 2009*

The erosion, in real terms, of Commonwealth funding (Commonwealth State Housing Agreement and the National Affordable Housing Agreement) has also been detrimental for public housing.

Victoria's Auditor General identified the structural financial problems in a 2012 report but did not acknowledge the importance of government funding.

"Public Housing rents are set at no more than 25 per cent of tenant income. Prioritisation of Public Housing to those in greatest need has increased the proportion of unemployed tenants who are receiving benefits. In turn, this decreases the division's rental revenues. At the same time, the division's operating costs have substantially increased. Despite this, the division has never reviewed its efficiency."²⁵

A 2012 discussion paper further highlighted the dramatic nature of the problem:

"Under current policy settings, the Public Housing operating model is unsustainable, with costs outstripping rental income. Without structural reform to Victoria's Public Housing system, its long-term viability is at risk. This is a critical issue for Public Housing tenants today, as well as those in need in the future."²⁶

Registered community housing organisations by definition are required to be financially sustainable to protect government investments and safeguard tenants' rights. They do not receive any operating grants for long-term stock, which means they utilise existing policy settings to maintain a cash positive operating budget.

For many Victorian community housing organisation, this means having to service debt – currently approximately \$200 million for registered agencies. Organisations access several options to meet their debts including rent revenue, tax concessions, and advantages wage structures.

Community housing organisations attract higher levels of rent revenue primarily because tenants are eligible to receive Commonwealth Rent Assistance. AHURI identified the revenue stream as a major incentive for state housing authorities across Australia to transfer stock to the community housing sector.

Operational efficiency and revenue maximisation

"Certain features of Australia's social welfare and taxation regimes provide effective incentives for Public Housing transfers because of the advantages they provide to [Community Housing organisations] that are unavailable to [state housing authorities].

"The actual rental charge is calculated as a percentage of household income—usually 25 per cent—capped at the 'market rent' for the property occupied. Taking advantage of [Commonwealth Rent Assistance] eligibility for their tenants, [Community Housing organisations] can set rents at (say) 25 per cent of a tenant's income [before Commonwealth Rent Assistance] plus 100 per cent of their deemed [Commonwealth Rent Assistance] entitlement. In terms of their disposable income, this leaves a [Community Housing organisation] tenant in the same position as their Public Housing counterpart. In this way providers gain additional revenue, while tenants are no worse off financially than they would be in Public Housing, their 'out-of-pocket' expenses remaining the same."²⁷

²⁵ Access to Public Housing

²⁶ Op Cit. Pathways to a fair and sustainable social housing system

²⁷ Op cit. Public Housing transfers

Providers also have high rent collection rates because of the program's dependence on rental income and the regulatory framework that stipulates rent collection as a key performance measure.

"The rent collection rate (which is the rent collected from tenants as a proportion of rent charged to tenants) provides some indication of the sustainability of services as rental income is required by housing organisations to meet the costs of providing housing. In 2009–10 rent collection rates in mainstream [Community Housing] and [Indigenous Community Housing] were over 90% for most states and territories.²⁸ In Victoria, rent outstanding from current tenants in the 2012-13 years was on average 1.4%."²⁹

The sector's financial advantage was recognised in AHURI's paper *Public Housing Transfers*. It cited lower operating costs as a result of tax concessions and more advantageous wage structures than the public system.

Tax incentives and salary differentials

"Over and above their capacity to benefit from the [Commonwealth Rental Assistance]-entitlement of their tenants, [Community Housing organisations] enjoy some other revenue-related advantages over Public Housing. Firstly, there are tax concessions. [Community Housing organisations] are an income tax exempt charity and usually have Public Benevolent Institution status with some also having Deductible Gift Recipient standing. This means that they can receive various tax benefits and concessions for costs associated with their housing supply and service roles, for example, in relation to the Goods and Services Tax. In combination, these represent substantial savings to organisations that are not available to their Public Housing counterparts, although exact figures will vary from organisation to organisation.

"Secondly, to the extent that there are salary differentials within the social housing sector, and reflecting the privileged tax status of [Community Housing organisations], transfers from [state housing authorities] to [Community Housing organisations] could potentially generate management cost reductions. According to 2009 NSW figures, a [Community Housing organisation's] housing officer's annual pay was typically \$40 000–\$46 000 while their [state housing authority] counterparts earned \$47 000–\$55 000. Lower [Community Housing] salaries were partly compensated by Fringe Benefit Tax exemption available to providers with charitable tax status that gave their employees access to before-tax income instruments, known as salary sacrifice."³⁰

Because there is no capital grant funding for new community housing construction, other innovative forms of funding are crucial. The sector has demonstrated its ability to embrace new models of funding and delivery of affordable rental housing as part of the National Rental Affordability Scheme.

State and Territory Ministers for Housing recognised the advantages of this investment in the sector in a 2009 report.

- *The participation of Community Housing providers in the National Rental Affordability Scheme has been very successful. The sector took up 55% of incentives in the first funding round and 52% in the second funding round. This represents around 5,600 dwelling units, and will increase the*

²⁸ *Op cit. Housing assistance in Australia*

²⁹ *Op cit. Sector Performance Report 2013-12 Victorian Registered Housing Agencies*

³⁰ *Op cit. Public Housing transfers*

proportion of all social and affordable housing stock held by the Community Housing sector to 18.5% by 2011-22.

- *Housing Ministers also agreed in May 2009 that up to 75% of housing stock constructed under Stage Two of the \$5.238 billion Nation Building and Jobs Plan Social Housing Initiative be transferred to Community Housing providers by 30 July 2014. If the 75% target is achieved this will increase dwelling stock held by the Community Housing sector by a further 12,000 units to just over 90,000 or 20.5% of social and affordable housing stock.³¹*

The Social Housing Investment Fund and the Economic Stimulus Package also generated funding for community housing organisations to construct thousands of social housing dwellings between 2008 and 2012. However, these grants required the sector to fund 25% of project costs. While most organisations opted to borrow money from banks, examples of philanthropic collaboration highlight the sectors' prowess in this area.

- Wintringham Housing leveraged their contribution in a partnership with the Alexander Miller Estate, to renew some 200 ageing units. The Estate provided land and Wintringham developed, built and now manages the tenancies. The finished project was delivered debt free. The philanthropic assistance allowed the organisation to house more of their target group of homeless people over 55 years.
- In Melbourne, Grocon joined HomeGround and Yarra Community Housing to construct, at cost, the Common Ground building at Elizabeth Street. Again, debt was limited meaning many more homeless people were able to be housed and have access to ongoing support services.

The community housing sector is poised to join with the Government to deliver more outstanding social housing options for Victorians in need. Stock transfers hold the promise of increased access for those in need of affordable accommodation based on the sector's capacity to build mutually beneficial partnerships in the business and philanthropic communities.

6. Private finance

Commonwealth and state government investment in social housing has been inadequate for many decades, as evidenced by long waiting lists and high maintenance costs.

Lack of adequate funding has forced community housing providers to seek alternative means of financing developments. Innovative partnerships with philanthropic benefactors, aged care providers and the business sector have been the key to the sector's success.

The importance of these partnerships is underscored in the National Community Housing Standards' aims; **Partnerships** - *To work in partnership with governments and communities in developing housing and related services which meet tenant and community needs.*³²

The Nation Building Stimulus Package and the Victorian Social Housing Investment Fund initiatives provided an opportunity for the sector to demonstrate its capacity to attract funding and meet targets for new housing.

³¹ *Implementing the National Housing Reforms, a Progress Report to the Council of Australian Governments from Commonwealth, State and Territory Housing Ministers, November 2009*

³² *Op cit. National Community Housing Standards Manual*

Community housing organisations were required to fund 25 per cent of project costs under both programs. Direct government grants were capped at 75 per cent of overall project costs. Providers supplemented the 25 per cent contribution through a range of creative partnerships including private debt, philanthropic contributions, donations of land from local government, charitable trusts and other parties, use of undercapitalised existing assets or through constructive alliances.

The social housing initiative resulted in 4,592 new dwellings in Victoria:

- 2,432 owned and managed by community housing
- 811 owned by Director of Housing, managed by community housing
- 1,349 owned and managed by Director of Housing³³

The capacity of the sector to borrow or leverage private financing translated to an additional \$166 million, resulting in the construction of 623 more dwellings than could have been delivered with access to the private sector funds.

The leveraging requirements had an impact on the sector's targeting practices in that 32% of the properties constructed were used to house homeless people.³⁴ In other states, the percentage of homeless housed is generally in the 40%. The trade-off in this instance resulted in 600+ additional affordable housing properties.

Under the initiative the public and community housing sectors together assisted to house:

- Homeless 1,497
- Disability 882
- Aged 677
- Escaping DV 282
- Indigenous 266

These numbers are a combination of the initiatives' overall outcomes in Victoria and are not divisible by community housing and public housing programs.

The 2011 CHFV report, *Increasing affordable housing through the Victorian community housing sector* makes the case that while private finance can be accessed, social housing requires grant funding to ensure economic viability.

Sustainability

There are three key funding mechanisms available to the Community Housing sector that set it apart from the Public Housing sector:

- ***Access to CRA***
- ***Access to private debt***
- ***Third party contributions***

The amount of leverage that [Community Housing organisations] are able to sustain depends in large part on the size and consistency of the rental income stream. At current [Loan to Valuation Ratios] and interest rates, the rental income received (which includes [Commonwealth Rental Assistance] payments) comfortably covers the required interest payments for most organisations. However, none of the organisations receive enough rental income to sustain a model that is funded entirely through capital markets. Furthermore,

³³ *Social Housing Initiative Review*, KPMG, September 2012

³⁴ *Social Housing Initiative Review*, KPMG, September 2012

current income over outgoings is insufficient to build a capital base from which to support extensive additional leverage. Indeed, rental income would need to be between 10% and 80% higher to meet the interest payments associated with funding a newly built dwelling, and more than double to cover interest expenses on purchasing a dwelling. If maintenance costs are also taken into account, the required increase in rents to cover all costs would be even larger.³⁵

AHURI goes further in its analysis of the potential to capture private finance. It says a transfer [of stock] will deliver the benefits of private finance investment without the debt being a liability for the State Government.

As well as supplying them with a rental revenue stream, transfer programs involving ownership handovers ('asset transfers' or 'title transfers') provide [Community Housing organisations] with an asset base potentially deployable as security for private finance. To the extent that [Community Housing organisations] can raise such finance, they can facilitate investment in additional social or affordable housing, or refurbishment of existing stock, without the increased public debt on government balance sheets. Further, as discussed in the previous section, the rental revenue boost achieved through [Commonwealth Rental Assistance] can expand—albeit modestly—the revenue stream available to service such debt. Large-scale title transfers have therefore been expected to 'help move [the Community Housing sector] towards gaining the critical mass it needs to secure private finance at the best possible rates.'³⁶

The steady transfer of public housing stock over a defined period will engender an environment conducive to innovation, improved maintenance and predictable incomes for community housing organisations, all without financial impact on State Government debt levels.

7. Asset management

The Victorian Auditor General's 2012 report painted an alarming picture of the state's public housing assets.

The report notes: *forty-two per cent of housing stock is over 30 years old. Properties of this age generally require more frequent and larger scale repairs, maintenance and upgrades.*

To date, the division has used short-term strategies to address the financial situation. These strategies include reducing acquisitions, deferring preventative maintenance, and funding deficits by utilising cash meant for long-term programs. This only compounds the issue, particularly the growing maintenance liability. The Public Housing portfolio is now in a seriously deteriorating condition with the division estimating that 10 000 properties, 14 per cent of the total, will reach obsolescence over the next four years.³⁷

The significant unfunded maintenance liabilities identified in the report are leading to properties being sold to fund maintenance on others. If this process continues, there will be less

³⁵ *Increasing affordable housing through the Victorian Community Housing sector*, Deloitte Access Economics, CHFV, March 2011

³⁶ *Op cit. Public Housing transfers*

³⁷ *Op cit. Access to Public Housing*

accommodation available. The Government's budget papers show an estimated net reduction in social housing for the 2014-15 financial year.³⁸

Too many public housing tenants are living in poorly maintained properties where their satisfaction with maintenance services is lower than those in the community housing sector.

A recent AIHW tenant satisfaction survey showed that nearly 74%³⁹ of community housing tenants in Victoria were satisfied with the condition of their home.

The level of satisfaction with for Community Housing tenants was slightly higher than that observed for Public Housing tenants:

- 77% of Public Housing tenants compared to 79% of Community Housing tenants were satisfied with emergency maintenance services.
- 71% of Public Housing tenants compared to 76% of Community Housing tenants were satisfied with day-to-day maintenance services.⁴⁰

The Victorian Housing Registrar's *Sector Performance Report* also supports a positive view of satisfaction with services:

Of the urgent repairs requested of [Housing Associations] during the [2012-13] year, 89 per cent were fully completed in 24 hours, an increase of 5 per cent from the previous year [and] the average completion rate for non-urgent requested repairs in 14 days for [Housing Associations] was 88 per cent... Tenant satisfaction with the quality of maintenance conducted which showed that 83 per cent of responding tenants expressed satisfaction with maintenance.⁴¹

AHURI remarked on the sector's responsive approach to tenants, singling out a Victorian example of (management transfers to the community sector) - Aboriginal Housing Victoria (AHV).

"Consistent with the overall sense of having benefited from a 'more responsive' landlord regime, tenants generally commented positively on day-to-day maintenance services. This was stressed, in particular, at AHV and among those subject to NSW PTP transfers. At the same time, as noted above, 'transferred' blocks continuing to house [State Housing Authority] tenants were problematic in terms of divided landlord responsibilities."⁴²

Many community housing organisations include their tenants in maintenance roles. Some have developed social enterprises employing tenants in unskilled and semi-skilled roles to provide maintenance for their own organisation and others. The enterprises allow tenants to gain new skills and provide a pathway to employment opportunities.

The transfer of housing stock is an opportunity to provide some relief from the onerous burden of maintenance for the DHS. The community housing sector's revenue base and lower operating costs also afford tenants a better standard of service and an improvement in general maintenance for a better quality of life.

³⁸ Budget Paper 3, page 175 - Housing Assistance, (shows a net reduction of 124 units the total number of social housing dwellings in the 2014-15 / 84 868 expected outcome in 2014-15 down from 84 992 expected outcome in 2013-14)

³⁹ *Op cit. National Housing Survey*

⁴⁰ *Ibid*

⁴¹ *Op cit. Sector Performance Report 2013-12 Victorian Registered Housing Agencies*

⁴² *Op cit. Public Housing transfers*

8. Independent regulation

The community housing sector is held to a high standard of regulation in Victoria, overseen by the Housing Registrar in the Department of Treasury and Finance. The Registrar does not have oversight of public housing.

Accountability is a crucial aim identified in the national standards for community housing.

Accountability - *To be accountable to tenants, the community and government for the effectiveness of the service provided and for the use of public funds; and by doing so, to enhance the credibility of Community Housing options.*⁴³

Community housing organisations are accountable to government through comprehensive regulation and funding agreements. For example, the Victorian Housing Act requires the Director of Housing's interest to be registered on all government funded community housing properties, so they cannot be sold, transferred or used as security for debt without the Director's consent. This measure effectively protects assets for long-term public benefit.

Robust regulatory frameworks also provide assurance to private investors and the Government that grant funding (and asset transfers) will be safeguarded well into the future.

The Victorian regulatory system has matured over the past 10 years, which has seen the sector grow from a small industry, into an accomplished leader in social housing provision, engaging with the Regulator and financiers.

The sector's ability to successfully manage and foster innovative development provides a sound basis for further expansion, including stock transfers, within a strong and transparent regulatory framework. A Commonwealth Government discussion paper on the regulation and growth of the not-for-profit housing sector supports this premise:

Institutional investors are more likely to contemplate large-scale involvement in the sector if they are convinced of the financial strength and management capabilities of not-for-profit housing [organisations]. International experience similarly suggests that private investment is more likely to occur in not-for-profit housing if a regulatory framework is in place. For example, the UK regulatory regime is directly credited with reducing the cost of funds lent to the social housing sector.

*Strong regulation and prudential supervision practices can help provide a level of confidence and assurance for investors, as well as provide the finance industry with the benchmarks and performance data necessary to determine suitability of financing individual operators.*⁴⁴

The transfer of public housing stock to the community housing sector is a socially and fiscally responsible initiative. The Government, community and current and future tenants should be reassured by the regulatory safeguards around governance, management, financial viability, tenancy management, maintenance, probity, and risk management. The opportunity to support more tenants in better circumstances and reduce the State's financial liability is a winning formula.

⁴³ *Op cit. National Community Housing Standards Manual*

⁴⁴ *Op cit. Regulation and Growth of the Not-For-Profit Housing Sector*