



Community housing organisations (CHOs) are mission-driven, not-for-profit organisations that own, develop and maintain rental housing for people on low incomes.

The registered community housing sector is an established and highly regulated complement to public housing in Victoria. The sector owns and manages over 20,000 housing units, receives more than \$137.9 million in rent annually, and has assets worth \$3.5 billion.

Community housing is a diverse sector

Housing is not one-size-fits all. CHOs provide a range of specialised options to meet tenants' specific needs and aspirations, from cooperatives and rooming houses to medium-density developments and homes with modifications.

The community housing sector is made up of 39 registered housing associations and housing providers. The sector also includes CHOs that are not registered with the Housing Registrar, but provide affordable rentals to low-income Victorians. Non-registered community housing organisations may be regulated under other systems but the registered community housing sector has been established as a key partner of government to increase the supply of affordable rental housing for disadvantaged Victorians.

The community housing operating model

The mission of a CHO is to provide safe, secure, affordable and appropriate housing for low-income Victorians.

Who is community housing for?

Community housing is offered to eligible low-income Victorians on the shared social housing waiting list – the Victorian Housing Register. In their long-term rental housing programs, CHOs offer tenants security of tenure so long as tenancy conditions are met, providing long term housing for households that would otherwise struggle in the private rental market. CHOs also offer short-term accommodation such as crisis accommodation and shorter-term housing programs, usually combined with support, to assist clients in transitioning into long-term housing.

Who owns community housing?

CHOs can either own their properties or manage them on behalf of the owner. The Director of Housing leases many of the properties that are managed by the sector.

How does community housing make a difference in the lives of its tenants?

CHOs have a strong track record in tailoring housing and services to tenants' needs and involving tenants in decisions that affect them. They establish strong links with local service providers to ensure their tenants have access to supports when they need them and assist them in sustaining their tenancies. CHOs work to integrate their housing within the local community.

How much do tenants pay for community housing?

The mission of CHOs, along with contractual and regulatory obligations, means that most CHOs cap rents to 25-30% of household incomes. However, in some cases CHOs operate Affordable Housing programs targeted at moderate income households (eg. National Rental Affordability Scheme) where rents are set as a discount to market, typically 75% of market rent. Although this is currently a small part of the registered sector's portfolio, it is a growing area and particularly relevant to Affordable Housing agreements.

The following table highlights the maximum rent that could be charged for a single person if a maximum of 30 per cent of income is paid in rent:

Income (single person)	Maximum weekly rent paid (social housing)	Maximum annual rent received by CHO
Newstart	\$149	\$7,748
Aged pension	\$201	\$10,452
Very low income	\$145	\$7,540
Low income	\$233	\$12,116
Moderate income	\$349	\$18,148

How much does it cost CHOs to operate affordable rental housing?

Annual operating costs can range from \$8,000-\$10,000 per property. Key elements in new developments that can impact on the operating costs, and therefore viability, of a dwelling include owners corporation fees and maintenance of fittings and fixtures.

How do CHOs remain financially viable?

A CHO's rental revenue is capped by the lack of growth in statutory incomes. Additionally, registered CHOs are required by the Regulator to remain financially viable. In this context, keeping costs low and ensuring that acquisitions are viable to operate is of critical importance to CHOs.

CHOs are efficient, lean, not-for-profit organisations delivering Affordable Housing outcomes to the community. Historically the only government funding available to registered CHOs has been in the form of capital grants to support the construction of new social housing, and these were not consistently available. Although the Victorian Government has recently introduced a few programs that include a subsidy over time, in general, CHOs must cover all their operating costs out of the rents paid by tenants. This includes debt repayments where CHOs have financed part of the purchase of new stock.

To help keep operating costs low, CHOs prefer low owners corporation fees and durable, low maintenance fittings and fixtures within properties.

Some CHOs are unable to take on any debt to develop new properties because their tenant profile does not provide the rental income to repay the debt. However, some agencies have increasingly been able to leverage their balance sheet to secure borrowings and in turn, finance new projects.

Potential sources of funds and value for an agency to access and leverage include:

- rental income (typically below market) unless vacant
- borrowings (private finance) serviced by rental income
- government grants and philanthropic donations
- taking on risk and capturing the developer margin
- developing agency-owned land
- revenue through shared equity sales or market sales.

Regardless of which approach a CHO takes, it remains their responsibility to ensure the overall viability of their business.

Community housing operates within a regulated sector

Part VIII of the *Housing Act 1983* establishes the regulatory framework under which the registered community housing sector operates. Four key objectives drive the regulation of Registered Housing agencies:

- Ensuring that all Housing Agencies are viable, well-governed and properly managed.
- Protecting and ensuring accountable use of government assets managed by the Affordable Housing sector.
- Building confidence in the public and private sector to invest in and grow Affordable Housing.
- Ensuring quality and continuous improvement in service delivery and outcomes for tenants.

The regulatory framework ensures registered agencies are held accountable to government and other investors, tenants and the community. The framework also promotes best practice and gives government the tools to address poor performance by registered agencies.

Types of organisations eligible for registration

There are two categories of registration: housing associations and housing providers.

Housing associations are:

- larger, more complex businesses with the skills, expertise and resources to manage, maintain and grow a viable social housing portfolio
- organisations that expand new housing through construction, purchase or acquisition that is funded using a mix of government funds, borrowings and private sector investment
- organisations that manage housing properties that they own or lease from other parties, such as the Director of Housing.

Housing providers:

- range in size
- primarily manage rental housing portfolios for other parties, such as the Director of Housing
- some providers own properties, however, their growth is small in scale compared to that of housing associations
- often specialise in particular client groups, for example, people with a disability, the aged, or youth.

Registered housing provider and association performance standards

All Registered Housing Agencies must adhere to published performance standards, regardless of if they are registered as a Housing Provider or Association. These performance standards cover the full range of an agency's business and fall into the following areas:

- **tenant and housing services**
The registered agency is fair, transparent and responsive in delivering housing assistance to tenants, residents and other clients.
- **housing assets**
The registered agency manages its assets in a manner that ensures suitable properties are available now and into the future.
- **community engagement**
The registered agency works in partnership with relevant organisations to promote community housing and to contribute to socially inclusive communities.
- **governance**
The registered agency is well-governed to support the aims and intended outcomes of its business.
- **probity**
The registered agency maintains high standards of probity relating to the business of the provider.
- **management**
The registered agency manages its resources to achieve the intended outcomes of its business in a cost-effective manner.
- **financial viability**
The registered agency must be financially viable at all times.

How to engage with the community housing sector

The community housing sector has a wealth of knowledge and experience in relation to the delivery and management of Affordable Housing. Many councils are keen to draw on that knowledge and experience and CHOs are keen to help.

Councils and developers should familiarise themselves with the constraints and requirements of the community housing sector if they want CHOs to be able to participate in Affordable Housing negotiations and delivery through the planning system.

Councils may benefit from engaging with CHOs to test whether an Affordable Housing proposal from a developer is reasonable, realistic, and able to be delivered. CHOs understand the likely costs and returns for a development and may be able to help provide the planners with an insight into the development feasibility (resources permitting). CHOs are also best placed to advise whether the proposal is likely to encourage or discourage participation from the community housing sector.

Before you engage with the sector consider:

- CHOs are lean organisations and do not have spare resources to respond to every potential policy development, planning scheme amendment, or project.
- The negotiations for an Affordable Housing contribution occur long before the delivery of the dwelling – often up to five years in advance. Due to the changing nature of funding and development opportunities, a CHO may not be able to say whether they will or won't be able to participate in the opportunity until closer to the completion date.
- Without some community housing engagement, or an understanding of CHO requirements, a council and developer may come up with an agreement that is unviable for a CHO to purchase or operate.
- Councils have strict procurement guidelines – they need to be cautious about recommending one CHO over another.

Where to find out more about the community housing sector

Community Housing Industry Association Victoria (CHIA Vic) is the community housing sector's peak body and a great place to learn more about the community housing sector.

There are a range of resources on their website chiavic.com.au that provide an overview of the sector as well as provide additional information on how to work with the sector to develop more social housing.

More information on the regulatory system for community housing in Victoria, including data on sector performance and the details of each performance measure can be found on the website of the Housing Registrar housingregistrar.vic.gov.au

Where to find out more about developing Affordable Housing agreements

CHIA Vic and Municipal Association Victoria (MAV) have produced a report that provides information and advice on Affordable Housing agreements. They have also prepared a Toolkit for local government planners which provides practical step by step instructions on how to successfully negotiate for Affordable Housing to form part of a planning scheme amendment or planning permit application.

chiavic.com.au/affordable-housing-toolkit

Further guidance is available from the Department of Environment, Land, Water and Planning (DELWP) website

planning.vic.gov.au/policy-and-strategy/affordable-housing