

“AFFORDABILITY – INNOVATION – VIABILITY”

STRATEGIC DIRECTIONS FOR COMMUNITY HOUSING IN SA

Community Housing Council of SA (CHCSA)

Submission to the State Housing Plan

SECTION 1. INTRODUCTION & BACKGROUND

The Community Housing Council of South Australia (CHCSA) welcomes the opportunity to make the following submission to the State Housing Plan (SHP) with particular reference to the *Issues and Options Paper No. 4 – Social Housing: Public, Aboriginal and Community Housing*.

The CHCSA recognises that the SHP has presented the community with a challenging picture in terms of the future of Social Housing, but one that also offers great opportunities to restate the importance of housing to South Australians and reinvigorate the housing system for the 21st Century.

In making this submission the CHCSA focuses on the importance of the SHP addressing the specific needs of the Community Housing Sector to assist in resolving its current problems and optimising its future capacity.

The submission also puts forward a bold proposal for the re-invigoration of the broader social housing system through the Community Housing Sector in partnership with State and Local Government and the Private Sector.

The CHCSA recognises that its proposals have the potential to radically alter the manner in which social housing is provided in this State and represents a significant challenge to government to re-configure long standing institutional arrangements in South Australia.

However, with South Australia facing the prospect of a halving of its social housing stock under current fiscal arrangements, from a high of 64000 units of housing to just above 30000 over a 25 year period, the CHCSA contends that there can only be one performance measure in determining preferred methods of Social Housing provision.

That measure can only be an evidence-based model of how to maximise housing outcome on the ground which best serves the interests of low income South Australians as well as the broader community. Institutional arrangements must then fall where they will.

In addition to the recommendations drawn from the body of this submission and listed below the CHCSA also calls upon the State government to restate its commitment to the crucial role of government, both state and federal, in the provision and support of affordable housing.

Specifically, the CHCSA calls upon the Premier and Government to;

- place housing on the agenda of the Council of Australian Governments as a matter of urgency
- reverse the decline in State funding to the housing sector to at least historic levels of funding
- acknowledge the provision of safe; secure; appropriate and affordable housing as a basic Human Right
- recognise the importance of safe and secure housing as being essential to the development and well being of children
- acknowledge the fundamental importance of housing in underpinning a civil society through achieving positive outcomes in health, education, employment, criminal justice, individual and community capacity building
- recognise the displaced social and economic costs borne by the community and State in other areas when housing systems fail
- acknowledge the impact of de-institutionalisation on the social housing system through appropriate additional funding and support and
- take a whole of government approach to urban and community re-development

Yours sincerely,

Ciarán Synnott
Executive Officer CHCSA
13/6/03

1.1 Summary of Recommendations

Recommendation 1: that the SHP explicitly recognise the capacity and potential of *Community Housing* to generate affordable housing supply, to access alternative finance and/or to build community partnerships

Recommendation 2: that the SHP support project funding to the CHCSA to research new models of affordable housing provision suitable to a South Australian context, in the period before the final SHP submission to State Cabinet.

Recommendation 3: that the SHP strongly considers the implementation of mechanisms for:

- Affordable/social housing providers – including preferred Community Housing providers – to be offered first option or other forms of access to new land releases, or large-scale redevelopment opportunities. (*I&O Paper #2, p. 33*)
- Greenfield and brownfield developments to be subject to planning requirements and/or incentives for developers to incorporate a proportion of affordable housing. (*I&O Paper #2, pp. 25-27*)

Recommendation 4: that the SHP considers support for a strategy of one-off debt reduction for the Community Housing sector; employing funds from:

- 2003/04 tax windfalls on stamp duties
- Unused CSHA funds
- Homestart surpluses
- And/or general revenue

Recommendation 5: that funded CHCSA research of affordable housing models for Community Housing (See Recommendation 2.) include investigation of steps to:

- Identify preferred CHOs to carry forward these models into practice
- Uncouple these CHOs from current funding arrangements
- Develop new or revised measures to ensure ongoing public accountability

With recommendations to be available prior to the final submission of the SHP to State Cabinet.

Recommendation 6: that the SHP foster and encourage constructive change processes within the Community Housing sector, having regard to the range of issues raised in Section 4 of this submission.

Recommendation 7: that the SHP considers the distribution of roles and responsibilities within the Community Housing sector, seeking to enhance the core value of community capacity building.

Recommendation 8: that immediate steps are taken to review the 'entry' of CRA into the Community Housing sector with a view to increasing the level of CRA accessed.

Recommendation 9: that the SHP call for action to ensure CHO financial viability, as a matter of priority.

Recommendation 10: that the SHP call for a review of the present recurrent funding model for large CHOs, to consider: collaborative costs and needs assessment with CHOs, an increased funding pool, and improved equity and transparency of funding allocation

Recommendation 11: that the SHP expresses support for the continuing role and development of Housing Co-operatives in South Australia.

Recommendation 12: that the SHP support increased funding to the CHCSA to enable the delivery of CHO support and organisational development services.

Recommendation 13: that the SHP support funding for services to a) support CHOs in undertaking quality improvement through the National Standards for Community Housing, and b) provide assessments for formal accreditation under these standards.

Recommendation 14: that the SHP express positive support for the role of well maintained, well-managed boarding houses and SRFs as housing options within the diverse range of social housing provision in South Australia

Recommendation 15: that the SHP support a view that people requiring support services should enter the Community Housing (or social housing) system with a support plan and funding linked to each individual, and that this should continue to be in place after the individual is housed.

Recommendation 16: that the SHP strongly supports the development of a whole-of-government sustainability strategy that provides a coherent framework for planning in areas such as land use, transport infrastructure, energy and water infrastructure, urban planning and housing.

1.2 Community Housing Council of SA

The Community Housing Council of SA (CHCSA) is the peak body for the Community Housing sector in South Australia, and enjoys the support and active membership of over 80% of the Community Housing Organisations (CHOs) operating in this State. The CHCSA is engaged in delivering a range of services to its members and the general public:

- Policy development
- Representation & advocacy
- Information & member networking
- Education (Introduction to Community Housing)
- Consultation
- CHO support services: including for NESB organisations

The CHCSA is an active participant in national Community Housing policy networks through the Community Housing Forum of Australia (CHFA), and the National Community Housing Forum (NCHF).

The CHCSA enjoys a positive working relationship with the SA Community Housing Authority (SACHA).

For the purposes of this submission, the 'Community Housing sector', or 'the sector' is defined as (collectively): CHOs registered under the Co-operative and Community Housing Act, their tenants and members, the CHCSA, Comhouse Inc, and SACHA.

1.3 Affordable Housing and Current Policy Issues

Affordability in the current housing market:

Within this State Housing Plan (SHP) process, information about the state of the current housing market, demand for housing in SA, and the current policy settings has been well aired. However, in setting the context for this submission, a few brief points can be mentioned.

Recognising the accepted definition of housing affordability (*SHP-I&O Overview; p.1*), it is clear that the current housing market is characterised by rapidly growing numbers of households in housing stress, including:

44,000 low income SA households in housing stress (paying more than 25% of income on rental housing costs or 30% on home ownership costs)

Over 14,000 SA households in severe housing stress (paying more than 50% of income on housing costs) (*SHP-Discussion Paper, p.7*)

The same issues are reflected in figures charting the supply of affordable housing, both at the State and national level.

Nationally, although the period 1986 to 1996 saw a net gain in private rental stock of 34%, the proportion of affordable housing fell by 28%¹.

In SA, we are well aware of the decline in social housing stock numbers, and the minimal vacancy rates in the private market.

Generally, this situation must be recognised as one of *market failure* in providing sufficient supply of affordable housing stock, and that governments both State and

Federal must recognise and respond to the problem in these terms. It is a situation with a growing potential to create a range of negative flow-on effects within the community. As Mike Myers, Chairperson of CHFA, states: "Failure to address housing affordability will have serious implications across other areas of government outlays like health, education, welfare ... and even law and order"²

In short, we agree that supply and affordability are the central housing market issues for the SHP to address. (I&O Overview, p.1)

The Community Housing sector, both here and interstate, is showing itself to be a key player, both in terms of *efficient, effective provision of social housing* within current policy settings, and in *expanding the supply of affordable housing* into the low to moderate income band, where demand is rapidly expanding. (For example, 2000/01 figures from the SA Housing Trust [SAHT] indicate over 24,000 applicants in Category 3 [low income] currently on their waiting list, a significant increase over previous years.³)

At a national level Community Housing, including direct provision by local government and community service organisations, makes up approximately 20% of all social housing provision, or 66,000 dwellings. There are over 2000 Community Housing organisations in Australia⁴.

The Commonwealth Government and CSHA:

Clearly, the SA social housing system's capacity to meet the demand for affordable housing is negatively affected by the on-going decline in Commonwealth funds provided through the Commonwealth States Housing Agreement (CSHA) – 31% decrease in real terms between 1991 and 2001; and a corresponding decline in matching State funds. (I&O paper#4, p.62-63)

However, calculations of the total outlays of the Commonwealth Government on housing related expenditure estimate totals of roughly \$21 billion, taking into account: capital gains tax exemptions, negative gearing tax concessions, the First Home Owners Grant (FHOG), Commonwealth Rent Assistance (CRA), CSHA funds and non-taxation of imputed rents⁵.

The SHP and the State Government must continue to argue for a targeted redistribution of Commonwealth funds, within a coherent national affordable housing strategy. Other national-level mechanisms for facilitating private investment in affordable housing should also be pursued.

Nevertheless, the current situation with Commonwealth funding makes it all the more important for the State to identify affordable housing as a funding priority, and to use policy levers across areas – planning, land supply, private sector, local government, private rental, and social housing – to facilitate innovative approaches to affordable housing supply. Community housing provide a number of models for combining these factors and *meeting the gap between market prices and affordability*.

The direction of social service provision:

Recent years have seen a general move by governments in Australia to shift the provision and funding of some social services and facilities away from large-scale public-institutional settings. One part of this overall trend has been the process of

deinstitutionalisation, seeking to house and support people with disabilities or mental health issues in the wider community. (*I&O Paper: p. 67*)

In the place of the former approach we now see a mix of service delivery options, including a far greater role for community sector, non-profit organisations as funded service providers. In appropriate settings, the involvement of community sector organisations in this way offers a number of significant advantages: building community resources; providing diverse and adaptable service delivery; fostering community-based partnerships; and providing public surety and accountability.

The growth of Community Housing in Australia reflects these trends, and has demonstrated such benefits over more than twenty years, and with the potential to achieve much more in the future. Community Housing is a 21st Century approach to provision of affordable appropriate, safe and secure housing for those in need.

1.4 State Housing Plan and the role of the Community Housing sector

The Community Housing sector in SA offers a range of specific strengths and opportunities in meeting the goals of the State Housing Plan. Community Housing provides value for public investment by generating a range of add-on social and economic benefits through the provision of housing. *Community Housing is 'Housing Plus'*.

A key challenge of the SHP must be to engage the wider community in the issue of affordable housing, and build public confidence in the benefits that flow from it. We submit that the Community Housing sector is ideally placed to meet these challenges in practical, innovative ways.

Therefore, the overarching goals of the Community Housing sector over the ten-year window of the SHP are two:

- The first goal is to further grow and improve the current range of social housing services provided by the sector, in a way that *builds on the core values and strengths of Community Housing*.
- The second is for the sector to *expand its role in the affordable housing market*, pursuing innovative ways to provide, facilitate and manage affordable housing across a spectrum of un-met demand and increased housing stress, from the (very) low income to low-moderate household income levels.

NOTE: In keeping with this approach, and the definitions of the SHP, the term 'affordable housing' is used here to encompass housing provision related to both the above goals.

South Australia has for many years been considered a leader in Community Housing in Australia. In more recent times, however, the sector here has remained relatively static. There has been a lack of innovation, and an unwillingness to explore new models. Meanwhile, sectors in other States have been active in setting new policy directions, and fostering the ability of CHOs to expand their horizons as capacity-builders within communities, and as viable, entrepreneurial, socially responsive housing providers.

There are numbers of examples to demonstrate the ability of Community Housing providers to *build partnerships* within communities, including in the key areas of local government and private sector housing developers. Many of these models are, through a package of measures, successfully bringing *alternative finance* into affordable housing provision.

At the policy and research level also, there are examples of community sector and private sector working together, and identifying the affordable housing issue as a key area of joint concern; for example, the Affordable Housing National Research Consortium⁶.

The sector in South Australia has explored these opportunities to some extent, and it remains a leader in some areas. However, the opportunity must be taken now, through the SHP process, to learn from the experience of other sectors, and to enable CHOs to act as community leaders and innovators in developing new models. It is unfortunate that the *Issues and Options Paper on Social Housing* does not appropriately reflect either the current strength or the future potential of Community Housing. While the pre-eminence of the SAHT in stock numbers is obvious to all, it would be a mistake to focus strategies primarily on managing the health of the Trust, whilst overlooking opportunities for innovation and new directions in other areas.

- **Section 2**, below, will summarise the core values and strengths of Community Housing, and outline current problems or obstacles to development.
- **Section 3** will outline a range of options for expanding the sector's roles in the provision of affordable housing.
- **Section 4** will identify a range of further measures to develop the sector as an efficient, effective provider of social housing.

SECTION 2. COMMUNITY HOUSING IN SOUTH AUSTRALIA: AN OVER VIEW

2.1 Why Community Housing: The Basic Values

In the context of the State Housing Plan, what are the values and benefits that Community Housing brings to the table? Community Housing displays a number of specific strengths and values, relating directly to the issues and options raised by the SHP Discussion Papers. Community Housing Organisations in SA demonstrate success by:

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- Providing opportunities for **community-based initiatives** in gaining or providing access to safe, secure, appropriate and affordable housing
 - Providing **specialised housing services tailored to meet particular areas of need** within the community: eg. women escaping domestic violence, mental health, aged, disability, youth, families, homeless, and students.
 - Engaging and **developing community resources**, including volunteers
 - **Building partnerships** between localised agencies and organisations, including between CHOs and local governments
 - Providing opportunities through housing for **social inclusion** by: self-help and personal development; access to work experience, training or education; and improved employment prospects
 - Offering opportunities to attract **alternative sources of finance**, through a number of means
 - Having the capacity to attract **financial benefits** through Commonwealth Rent Assistance (CRA), GST exemptions, Income Tax Exempt Charity (ITEC) and Public Benevolent Institution (PBI) status
 - Creating close, **collaborative links between housing providers and support services**, for tenants with particular needs
 - Generating and managing **innovative approaches to housing form**, enhancing social and environmental outcomes
 - Generating **diversity** of housing options
 - Providing high quality **tenancy management services** through head leasing
 - Offering and flexible, local-management opportunity for **housing in regional and rural areas**
 - Providing opportunities for individuals to **achieve social integration** and to avoid stigmatisation
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The results of the 2001 National Social Housing Survey with Community Housing quantify some of these strengths⁷. For example, significant proportions of respondents in SA indicated that being housed within Community Housing had *positively helped* them in terms of:

- Feeling more settled – 90%
- Managing money better- 85%
- Enjoying better health – 59%
- Starting education/training – 52%
- Improved job situation – 39%

(Figures show percentage of respondents reporting a positive benefit in these areas.)

The benefits of Community Housing have been brought about through Government facilitating the development of a *community-based, non-profit* sector of affordable housing provision, for those members of the community who have low incomes, have particular needs in relation to housing, or who are homeless.

The overall rationale for, and success of, Community Housing lies in encouraging community-managed forms of housing tenure that *build community capacity* and *create diverse housing opportunities*, while retaining accountability to public investment and government policy goals. As emphasised above, it is vital that the further development of the sector in SA plays to its strengths, by building capacity within the housing providers themselves, and through them, into the wider community.

Appendix 1. provides some further background information on the current make-up of the sector in SA.

2.2 Current Challenges for the Sector / Obstacles to Change

This section briefly outlines some of the key current issues for the sector. Although the focus here is on challenges and areas requiring improvement, it should be understood that the majority of CHOs are well-managed, efficient and durable organisations, with many achievements to their credit. It is by virtue of these strengths that genuine opportunities for constructive change are available.

In 2003, CHOs face a number of challenges to their on-going viability and further development, including some of those mentioned in the SHP Issues and Options paper. These include:

- **High on-going levels of need and demand for housing:**
 - Stress and challenges associated with the consistently high levels of demand within the sector, and the often crisis nature of the demand

- **Financial viability:**
 - Level of sector debt (held by SACHA) impacts upon the rent income of CHOs, through remittances to SACHA. It is an obstacle to models of new practice, and opportunities for alternative financing
 - Decreased average incomes from rent for some CHOs due to lower average tenant incomes
 - The high proportion of CHO income remitted to SACHA
 - Lack of incentives for efficiency
 - Increased costs in areas such as GST compliance, insurance, Emergency Services Levy, asset management and tenant damage
 - Costs of appropriate staffing levels, where available

- **Management viability:**
 - Durability of volunteers; levels of technical demand and responsibility placed on volunteers; a need to develop greater volunteer capacity
 - 'Burn-out', depleted skills and/or internal conflict in some volunteer-managed CHOs
 - Impacts/demands on organisations housing high-needs tenants
 - Lack of access to accredited training for volunteers and/or paid CHO management staff
 - Lack of succession processes for key sector workers
 - Lack of sector development/support services from peak body
 - Lack of support services to country CHOs
 - Need for greater wage justice through parity with government sector

- **Relationships and roles within the sector:**
 - Questions about role of SACHA as both regulator/funder and service provider
 - The changing profile of the sector, including growth of Large CHOs and development of a level of professional management
 - Questions about the on-going role of Housing Co-ops, some decline of Co-op numbers, through winding up or amalgamations
 - Defunding of CHCSA training & education services

- **Current regulatory and rent structures:**
 - Current 'one-size-fits-all' approach to regulation, when the profile of sector has changed, including the growth of Large CHOs
 - Overly complex reporting requirements and rent structures
 - Funding and reporting structures inhibiting efficient 'entrepreneurial' CHOs

SECTION 3. OPTIONS FOR AFFORDABLE HOUSING & THE COMMUNITY HOUSING SECTOR

3.1 Introduction

Community Housing providers and peak bodies around Australia – in cooperation with governments and other players – are demonstrating a number of successful, innovative models for:

- Extending their housing provision and/or management services into a wider spectrum of demand for affordable housing
- Drawing on sources of alternative finance for the development of new affordable housing supply
- Building partnerships for affordable housing provision with the private sector, local governments, and other key stakeholders
- Contributing, through housing, to sustainable communities

Clearly, these achievements directly pertain to many of the long-term challenges and options identified within the SHP process. They also are likely to be of real importance within the terms of the new CSHA framework. The sector in SA has already made some ground in these areas, but has to potential to do far more. Numbers of CHOs have demonstrated a clear desire to develop in these new directions, and have the records of achievement to support their claims. The CHCSA supports the goals of the Affordable Housing Consortium SA, already developed from within the sector. Again, core issues now are: capacity building within the sector, to develop detailed models, and enhance management skills; and getting the right policy framework in place.

Recommendation 1: that the SHP explicitly recognise the capacity and potential of *Community Housing* to generate affordable housing supply, to access alternative finance and/or to build community partnerships

Recommendation 2: that the SHP support project funding to the CHCSA to research new models of affordable housing provision suitable to a South Australian context, in the period before the final SHP submission to State Cabinet.

This section outlines several key areas to be considered for change, to facilitate the further development of the Community Housing sector in SA in these directions. The aim here is not to specify any preferred models as such, but to canvas the options. In most cases, success will depend on a coordinated package of measures in areas such as: planning and land supply, public financing and regulatory structures, the role of local government, alternative financing mechanisms, partnership vehicles for development and CHO/sector capacity building.

Some of the factors required to best enable some parts of the sector to develop in these areas, are also ones relevant to the development of the sector more broadly. Where appropriate these will be covered in Section 4.

3.2 Planning & Land Supply

Clearly, the SHP process has identified planning, land supply and urban regeneration as key areas where legislative and policy levers can be applied to generate affordable housing outcomes. *Issues and Options Paper #2* identifies a range of options that relate directly to the potential role of Community Housing.

Recommendation 3: that the SHP strongly considers the implementation of mechanisms for:

- Affordable/social housing providers – including preferred Community Housing providers – to be offered first option or other forms of access to new land releases, or large-scale redevelopment opportunities. (*I&O Paper #2, p. 33*)
- Greenfield and brownfield developments to be subject to planning requirements and/or incentives for developers to incorporate a proportion of affordable housing. (*I&O Paper #2, pp. 25-27*)

The Community Housing sector is able to demonstrate successful models for affordable housing provision that incorporate such planning mechanisms, both at a State government and local government level. The ability to access land and/or for land value to be used as a lever for affordable housing outcomes, is a key factor in many projects, including those which draw in private sector finance. A number of the other options considered below relate to this capacity.

Example: the Brisbane City Council offers the Brisbane Housing Company first option on all new land releases for residential development⁸.

The CHCSA also supports an increased involvement of Community Housing in urban regeneration projects.

3.3 The Role of Local Government

The Community Housing sector already demonstrates a strong capacity to build relationships with local governments for the provision of affordable housing. Local governments are also involved in a range of community-based housing provision measures that are not under the Co-operative and Community Housing Act (1991). We submit that Community Housing should be regarded as a key player in further engaging local government as stakeholders and partners in affordable housing provision. The relationship is a particularly effective one for targeted, community-managed housing provision in regional towns and country areas.

Community Housing organisations also demonstrate success in enabling tenants on low incomes and/or with other needs to be integrated into local communities. At a time when the level of acceptance of new or existing social housing within local communities is declining, it is vital that the housing providers engaged in new development show a capacity to rebuild and maintain community trust.

In more general terms, there is a range of important ways in which local government can facilitate affordable housing outcomes. These include:

- Land use policies, and supply of land
- Density bonuses for affordable housing
- Streamlined planning processes for affordable housing projects
- Relief from infrastructure charges or rates

- Support for/ partnerships with CHOs
- Direct provision of housing: eg for the aged
- Participation in the use of local housing trusts or non-profit companies⁹

3.4 Sector Financing Issues and Options

Benefits offered by Community Housing:

The *Issues and Options Paper #3* identifies a number of key characteristics of alternative finance models, including the ability to 'maximise Commonwealth Rent Assistance and GST benefits' (p. 48). CHOs have the position and the capacity to deliver these and other key outcomes. CHO tenants are eligible for CRA, and CHOs can generate accommodation set at less than 75% market value free of GST. CHOs are eligible for registration as Income Tax Exempt Charities (ITEC), and as Public Benevolent Institutions, and can access a range of rates and levy concessions.

Also, CHOs are legally able to borrow private finance in their own right, at a time when governments are reluctant to borrow. Within the SA sector, both the income levels of some CHOs, and the equity held in housing stock (with the right configurations in place), could be used as security for debt finance.

All of these mechanisms have a potentially important role to play as elements within alternative financing packages for affordable housing; both in initial development, and in matching affordable rent levels with servicing development costs.

Sector Debt and CHO Capacity:

Equally, however, there are a number of current obstacles to the full realisation of these opportunities, and to the ability of CHOs to put themselves forward as viable partners for the private sector, or other players. In particular, the current level of debt held within the sector by SACHA must be recognised as a major impediment. Because, under current arrangements, it ties a significant proportion of sector income to debt servicing, it effectively cuts into levels of CHO income from rents. This means significant *negative* impacts on CHOs in terms of:

- General financial viability
- Ability to maintain appropriate asset management programs
- Ability to maintain appropriate staffing levels (where these are available)
- Incentives to operate efficiently
- Opportunity to use income levels to secure against debt finance
- Ability to generate economies of scale
- Ability to carry risk

It also means that a CHO aiming to build partnership arrangements has far less capacity to engender the confidence of a private sector player.

Addressing these underlying issues and flow on impacts is a vital strategy for the long-term development of Community Housing in SA. The SHP process should recognise that CHOs in other states have often enjoyed grant funding for the development or purchase of housing stock, and retain all income from rent as operating funds. This basic fact is able to make a *positive impact on CHOs in all the above areas*.

The CHCSA suggests that the SA Government should consider a strategy of a one-off debt reduction payment targeted specifically at Community Housing sector debt. We believe there are a number of options for this to be achieved and good arguments for doing so.

Current windfall tax revenues to Government from stamp duties represent a directly corresponding decline in the levels of housing affordability. One can argue therefore that debt reduction using these funds be achieved in a way that directly enhances new approaches to affordable housing provision.

Unused CSHA funds or Homestart surplus funds could also be employed for targeted debt reduction.

Recommendation 4: that the SHP considers support for a strategy of one-off debt reduction for the Community Housing sector; employing funds from:

- 2003/04 tax windfalls on stamp duties
- Unused CSHA funds
- Homestart surpluses
- And/or general revenue

Notwithstanding such a strategy, however, the capacity of CHOs to initiate innovative methods of affordable housing provision and to build community partnerships remains hampered by the current funding settings within the sector. With or without any sector wide measures, measures must be explored that will: identify a number of preferred CHOs for 'new growth' strategies; 'uncouple' these organisations from current funding arrangements; and further enable them in various ways to act as leaders in developing new approaches.

Recommendation 5: that funded CHCSA research of affordable housing models for Community Housing (See Recommendation 2.) include investigation of steps to:

- Identify preferred CHOs to carry forward these models into practice
 - Uncouple these CHOs from current funding arrangements
 - Develop new or revised measures to ensure ongoing public accountability
- With recommendations to be available prior to the final submission of the SHP to State Cabinet.

In particular, we suggest the following must be considered amongst a suite of enabling measures:

- Skill development in management of new models
- Preferred CHOs able to retain all income from rent as operating funds
- Preferred CHOs able to use equity in housing stock as security against debt finance
- New, 'light touch' regulatory framework, enabling CHOs to function with greater independence and entrepreneur-ship, while retaining accountability for public funding.
- Services to support and facilitate relationship building between CHOs, local governments and private sector players.

3.5 Alternative Financing Models & Examples

Clearly a key challenge for increasing the amount of alternative financing in the provision of affordable and social housing is meeting the gap between the market price of housing and affordable rents (or mortgages) for people in lower income brackets. There are numbers of ways in which this challenge can be addressed. Success in generating new supply through partnership projects often relies on a mix factors: political and investment support from State and/or local governments; purpose building models/project vehicles to meet particular needs or 'local' conditions; and combining a range of specific financial tools – including those CHOs can provide – into workable project-based packages.

There are a number of examples from around Australia of Community Housing generating new housing supply through these 'mix and match' project focused processes. The sector in SA needs the opportunity to learn from these examples and develop models that will meet South Australian needs and conditions.

Examples of Innovative Models:

ACT: The **City Edge** project undertaken by Community Housing Canberra (CHC)¹⁰:

- ACT government sold redevelopment site to CHC on deferred payment terms
- CHC developed site in partnership with a consortium of private sector players
- Sale of portions of the site to the development partners generated finance for an affordable housing component
- Of 86 apartments built 30 are owned and rented as social housing (15 by CHC, 15 by ACT Housing), with rent capped at 75% of market rates (\$6.5 million worth of social housing)
- CHC offer subsidised rents without need for on-going government subsidies
- The development was built according to environmentally sustainable development principles, and includes a stormwater management wetlands

VICTORIA: The **Port Philip Housing Association (PPHA)**¹¹:

- Works very closely with **City of Port Philip Council (CPP)** and the CPP Community Housing Program
- **Inkerman Oasis** project:
 - Partnership between CPP, State Housing Authority and private developers
 - CPP provided land to a private development consortium conditional on: design guidelines, land remediation and return to CPP 26 dwellings for affordable/social housing.
 - PPHA manages affordable/social housing component
- PPHA retains rental income on managed properties:
 - Income covers high quality asset management plan, and all operating expenses
 - Surpluses able to be applied to purchase and redevelopment of affordable housing
- PPHA used its own funds to purchase and redevelop **John Cribbes House**, a boarding house-style facility, with funding support from Vic Office of Housing
- CCP-PPHA partnership working towards PPHA being able to borrow against value of housing stock

QUEENSLAND: The **Queensland Community Housing Coalition** (QCHC) has been instrumental in establishing a model for affordable housing supply in regional Queensland; the **Central Queensland Affordable Housing Trust** (CQAHT)¹².

- CQAHT will be a non-profit company structure, with community shareholders
- Economies of scale across regions designed to allow for fluctuating land/house values in specific towns or areas
- Providing a model for pooling public, community and private resources
- Housing provision to address a range of needs/ low-moderate income levels, including (potentially) rental housing for transient workers
- Financial/development capacity to be build through multiple sources: government equity, stock and land transfers, CHO title and equity, debt finance and joint ventures, and local government or church land contributions.
- Partners can hold shares to the value of equity put in.

Organisations such as the **Brisbane Housing Company** are also of specific interest because they are generally targeting people who are in the low to moderate income bands and eligible for CRA, thus making the CRA component of rent income a core part of their financial model. Particular benefits of this *widening* of the target market for community-based, non-profit affordable housing provision include:

- Taking pressure off housing providers working in the lower end of the income spectrum
- Driving positive changes in the private rental market in terms of security and length of tenancies

There is a range of further examples that might also be mentioned: Perth Inner City Housing Association in WA, City West in Sydney and Common Equity in Victoria. All of these and others are potential case studies to be learned from, and considered within a South Australian context. In various ways, all these examples are demonstrating the contribution Community Housing can make in turning the goals of the State Housing Plan into practical reality.

Equity Shares:

The Cooperative and Community Housing Act (1991) already allows for the use of equity shares for what becomes, in effect, tenant/member part-ownership of Community Housing stock. Although the mechanism has figured in several parts of the SACHA program, in particular the self-build program, it is regarded currently as too complex, and difficult to access. However, sale of equity shares to tenants/ members of CHOs does enable individuals to enjoy some equity in their property (and reduce rent) while injecting new income into the program. Investigations should occur into the potential for a simplified and more widely accessible use of equity shares, as a 'joint ownership' option within Community Housing.

Affordable Housing Consortium SA:

The CHCSA supports this local initiative from within the Community Housing sector as a potential vehicle for the types of measures proposed here.

Other Options:

There is a range of other mechanisms for drawing alternative finance into affordable housing provision; where again Community Housing providers have a record of achievement.

- CHOs have the potential to engage in **listed property trusts**, in partnership with a financial institution, to offer low risk investment opportunities to 'social conscience' investors
- Government **headleasing** residential property out of the private sector, to be managed by a CHO
- Allowing for a certain level of **tenant mix** within existing organisations, as a means of increasing average rental income

3.6 Partnership Issues

Clearly many of the opportunities for alternative investment in affordable housing rely on partnership processes involving affordable housing providers/managers, private sector organisations, State and local governments, tenants or potential tenants, and the wider community.

Community Housing providers have the credentials and are strongly placed to engage effectively these relationships, and to help build the kind of wider community engagement in affordable housing issues that will, in the end, make so much difference to the outcomes.

We suggest that State-based Community Housing sectors are an ideal 'mediating point' between State government objectives and interests and the private sector, for affordable housing purposes. Particularly so when a CHO can demonstrate those things that private sector organisations count on: a healthy balance sheet and capacity to share risk, a track record of successful housing provision, an arms-length relationship with government, and industry standards (See: sub-section 4.8)

CHOs, as responsive, flexible community-based organisations are also ideal partners for local governments and, as mentioned above, have shown themselves capable of contributing to a level of wider community confidence in social and affordable housing provision.

Finally, it is important that, in the context of the SHP and this submission, that the sector is able to look forward to an improved and up-to-date partnership arrangement with State government. It is important that the relationship reflect the essential principle of community capacity building; to have an enabled, independent, innovative sector functioning within an efficient and simple regulatory framework. While gains have been made in recent years, current settings and practices within the sector do not always reflect these goals.

3.7 Role of CHCSA

We believe an effective, well-resourced industry peak body is a crucial element in enabling CHOs to develop their own services in innovative ways, to build new skills and new partnerships, and to conduct these activities with a solid framework of research and policy.

SECTION 4. VIABILITY & DEVELOPMENT OF THE CH SECTOR

4.1 Overview

Section 3 has looked forward to a substantially increased role for the sector in innovative models of affordable housing provision. However, we have suggested an initial focus on a selected group of preferred providers, at least during a period of skill-building, collaborative research and modelling, and trialing new methodologies. It is most important to remember, however, that such steps are premised on the health and stability of the sector as a whole; and that the 130 or so CHOs in SA continue to provide a diverse range of important and beneficial services. The record of Community Housing, both here in South Australia and interstate, clearly shows CHOs successfully acting as builders of capacity and social capital, through the means of housing, within the community sector.

In this section we outline a number of issues and option for the *strategic development* of the SA sector as a whole. In general terms, we see the sector in real need of *collaborative, long-term strategic planning*, and a shared sense of direction and purpose. We see this SHP process as an opportunity to contribute in this area, and to set out some issues for further work. Again, the general focus must remain on the core principle of capacity building within CHOs, and related support services, themselves. Notwithstanding the options discussed above, the sector will continue for the foreseeable future to function on limited resources, and it is important that these resources are deployed in a way that will maximise positive outcomes.

Many of the options for change discussed in this section will ultimately need to be dealt with within the sector itself. Therefore, they are not always appropriate as matters of formal recommendation to the SHP. Therefore we make the following general recommendation:

Recommendation 6: that the SHP foster and encourage constructive change processes within the Community Housing sector, having regard to the range of issues raised in Section 4 of this submission.

However, where it is considered appropriate and important to do so, some specific matters raised here will be highlighted as formal recommendations.

4.2 Sector-wide Issues

Sector Strategic Planning:

Some of the sector-wide issues that a more systematic and collaborative strategic planning process could address include:

- The optimal size and/or geographic 'spread' of CHOs related to role and client/tenant / member needs.
- House design and planning to achieve a range of outcomes: environmental performance, improve affordability, etc
- Entry processes for applicants to CHOs / the Community Housing sector
- Sector-wide goals in terms of meeting housing needs within particular population groups; recognition of demographic trends

- Consideration of new CHO organisational models, including increased collaboration/service provision between CHOs
- Strategic development of links between CHOs and local government, or other community sector organisations

A range of other relevant issues will come up in other sections.

Use of Resources:

In general terms, the CHCSA believes that the current distribution of resources and responsibilities within the sector requires review, with consideration given to a strategic re-weighting of some resources and/or functions 'down' into CHOs, infrastructure provision or sector-controlled services. Obviously this also implies some review of the appropriate roles & responsibilities within the sector. Options for what this might mean in more specific terms will come up in other sections. (See: sub-sections 4.3 – 4.7)

Recommendation 7: that the SHP consider the distribution of roles and responsibilities within the Community Housing sector, seeking to enhance the core value of community capacity building.

4.3 CHO Financial Viability

Clearly CHOs face some immediate challenges to their on-going financial viability. The question of the level of income returned to government relates not only to CHO capacity to engage in new models of provision (as per Section 3), but to the viability of all CHOs. Current funding agreement and rent structures are having the effect of keeping CHOs on 'bare minimum' operating funds. These funds are intended to cover a wide range of operating expenses including maintenance/asset management, rates, levies, admin expenses and so on. Current settings do not appear sustainable for numbers of CHOs, and organisations are having to operate in a climate of uncertainty about their viability. Processes for adjustments to operating funds retained have been lacking in consultation and transparency.

Recommendation 8: that immediate steps are taken to review the 'entry' of CRA into the Community Housing sector with a view to increasing the level of CRA accessed.

Recommendation 9: that the SHP call for action to ensure CHO financial viability, as a matter of priority.

Other measures to consider:

- Sector/SACHA debt reduction strategies, and progressive transfer of some CHOs into a situation of retaining rental income for operating and/or new housing provision would improve the overall viability picture (See recommendation 4 & 5)
- Negotiation of more appropriate viability formulae, including possible recognition of different needs in different CHOs, through revised Funding Agreements
- Asset management planning, including strategic redevelopment of low standard stock, and/or of properties suitable for multi-dwelling redevelopment*
- Review the effectiveness of current CHO maintenance processes*
- Greater focus on cost savings through household energy and/or water efficiency
- Maximising CHO access to available rates and levies concessions

(* We note the important role of Comhouse in relation to these two points)

4.4 Large CHOs

The last 5-7 years has seen significant growth for 10-12 CHOs, with portfolios ranging from 85 to 300 properties per organisation. These CHOs now manage a significant proportion of the stock within the sector. These changes have not always been reflected in the infrastructure, servicing and governance arrangements of the sector. The increased role of these organisations requires a more genuine partnership relationship with government. Other options for change to be considered include:

Recommendation 10: that the SHP call for a review of the present recurrent funding model for large CHOs, to consider: collaborative costs and needs assessment with CHOs, an increased funding pool, and improved equity and transparency of funding allocation

Other measures to consider:

- Enhancing the capacity of the CHCSA to provide effective, useful services to these organisations (See sub-section 4.7).
- Pursuing the measures discussed in Section 3 as a strategic direction consistent with the developmental trajectory of the sector, furthering the development of these (high quality) organisations.

4.5 Housing Associations

Housing Associations make up the bulk of large groups (over 85 properties) within the sector, but the majority are relative small (up to 30 properties), with significant numbers in country areas. Several large Associations have shown active interest in the kind of developments canvassed in Section 3. Some large Associations are now managing considerable portfolios of property outside the SACHA-funded program, and this needs to be reflected in sector governance. Beyond those matters, and issues relating to CHOs in general (eg. viability) there are a number of other specific issues for Associations that warrant attention.

- Need for improvement in education, training and/or support services available to Associations; eg. for Board members, and accredited training pathways for paid staff.
- Improved information and support services available to country Associations (See also sub-section 4.10)

4.6 Housing Co-operatives

The role of Housing Co-operatives within the sector has changed in recent years, with a greater policy and funding focus on a welfare model of social housing, and the influences of Commonwealth targeting requirements. The number of Co-operatives has declined slightly, as organisations have amalgamated (often with larger CHOs), or become dysfunctional; and no new Co-ops have been formed for several years. The increased complexity of management and reporting requirements put onto all CHOs have had an impact on volunteer capacity. Co-ops have expressed opposition to the principle of rent parity across social housing agencies, as it fail to recognise the value of voluntary self-management. Nevertheless, the majority of Co-ops continue to function effectively and well, for the benefit of their members and the community. The CHCSA strongly supports the continuing role of Co-ops within the sector, as housing providers for people on low income and with a desire/capacity to participate in a self-managed, volunteer-focused organisation.

Recommendation 11: that the SHP express support for the continuing role and development of Housing Co-operatives in South Australia.

Other measures to consider:

- Introduction of voluntary 'development pathway' options for Co-ops to grow, and/or to improve their existing operations, offering a range of incentives in 'exchange' for commitment to quality assessment of / improvements in management methods
- Improved, reliable and affordable access to ancillary support services in areas such as finance or tenancy management, including on a CHO to CHO basis
- Funding capacity to generate incentives/rewards for voluntary effort; e.g housing improvements to reduce running costs
- Improved use of and training for (non-net based) IT for Co-op management
- Funding to CHCSA for increased support and development services. (See sub-section 4.7)
- Development of models of collaborative sharing of skills and resources between Co-ops
- Encouragement for 'dispersed' Co-ops, over time, to consolidate their stock within a confined area; enabling greater ease of contact, etc
- Increased availability of training and education opportunities directed towards employment skills
- Improved training/group development in group skills and conflict resolution
- Consideration of changes to management methodologies, including potential involvement of appropriately skilled volunteers from the wider community
- Simplified management and reporting requirements
- Access to a 'common pool' of eligible, potential applicants; 'best practice' applications and new membership processes
- Re-opening opportunities for new Co-op formation

4.7 Training, Education and Volunteers

Prior to June 2000, the majority of training, education and CHO support services were delivered by the CHCSA, which had at that time achieved the status of a Registered Training Organisation (RTO), in preparation for an expansion of accredited training to be offered. Since that time the bulk of training and education has been delivered by SACHA. (The change was not due to any failure of standards by the CHCSA at the time.) At a general level, we continue to question the combination within SACHA of their function as funder/regulator with that of service provider. However, simply reverting to the pre-June 2000 position would be a complex proposition, and is not necessarily something we would support. Current training services offered to the sector include 'Introduction to Community Housing (ICH)' from the CHCSA, and a range of CHO management skills-based courses delivered through SACHA. Some relevant certificate or degree courses are available through tertiary institutions, but take-up is very limited. On the whole the current range of training options are more relevant to the smaller, volunteer-managed CHOs.

Regarding volunteers, the Minister for Housing, the Hon. Stephanie Key, has expressed concern about the sustainability of volunteering within the sector over the longer term. While we *strongly* support the volunteering dimension of Community Housing, we also share this concern. However, while there are problems, the sector also already demonstrates a number of excellent models of encouraging and sustaining enjoyable

and appropriate volunteer activities. In general terms, we believe volunteering within the sector can be sustainable and of real value to individuals, organisations and the community. In order to do this over the long term, volunteering should:

- Be supported by paid CHO staff and/or service providers
- Be supported and valued within well-managed CHOs
- Allow for varying levels and types of contribution
- Provide genuine opportunities for personal development and/or employment

Recommendation 12: that the SHP support increased funding to the CHCSA to enable the delivery of CHO support and organisational development services.

Other measures to consider:

- Exploration of options for increased access to accredited training for the sector
- CHOs to be encouraged (where appropriate) to function as registered volunteer organisations for the purposes of Centrelink volunteering requirements
- Exploration of options for pathways through Community Housing into the building industry (eg. the self-build program)

4.8 Regulation, Accountability & Quality Improvement

SA has been a leader in Australia in the establishment of a legislative framework specific to Community Housing – the Co-operative and Community Housing Act 1991 – and this delivers a number of benefits to the sector. As parts of the regulatory package, CHOs are generally subject to: registration under the Act, a Funding Agreement, and various regulatory controls over properties. In general, we suggest this package, as currently operating, has a number of problems with it: it is not sufficiently enabling of CHO development; it is a ‘one-size-fits-all’ approach to what is now a highly diverse sector; it generates undue complexity in CHO management and reporting; and it fails to encourage quality improvement.

Recommendation 13: that the SHP support funding for services to a) support CHOs in undertaking quality improvement through the National Standards for Community Housing, and b) provide assessments for formal accreditation under these standards.

Other measures to consider:

- Funding Agreements to be made more simple and flexible to recognise different types of organisation: possible a tiered structure as recently adopted in other states
- Funding support for the introduction and voluntary uptake of Community Housing National Standards and Accreditation system (consistent with SA Service Excellence frameworks); possible use of this in relation to changes proposed in Section 3
- A review of the Co-operative and Community Housing Act

4.9 Growth & Diversity

The sector has grown considerably in recent years, and enhanced its capacity to deliver quality housing outcomes for those in need. Beyond the measures discussed in Section 3, the CHCSA supports the continued growth of the sector by current means including access to CSHA and matching State funds, strategic transfers from the SAHT for allocation to CHOs, and land banking. We strongly support a greater involvement of

Community Housing in urban regeneration projects, as a further means to sector growth.

We believe there is considerable scope and good reasons for the further expansion of Community Housing models for housing provision in specialist areas such as: aged care, homeless people, young people, people with physical or intellectual disability, people with mental health issues, students, women escaping DV, families in housing stress and other areas of need. The capacity of Community Housing to provide and support stable and secure tenancies in these areas should be recognised both for its quality of service, and the economies it is able to offer the State by reducing spending demands in other areas, and addressing the impacts of deinstitutionalisation. Community Housing is an ideal model for the provision of affordable housing in country areas.

The kinds of innovative housing development models discussed in Section 3 also allow for specialist housing provision; for example, in providing aged care facilities with a mix of private purchase and affordable rental options.

In providing housing across this range, the sector employs (and clearly requires) a diversity of housing models and options. This diversity is a valuable factor in its own right, and allows for better matching of individual need to housing options. CHOs often collaborate with each other to enable good individual outcomes.

The CHCSA believe that well-managed boarding houses and Supported Residential Facilities (SRFs) have a legitimate role within a diversity of affordable housing options in the community. In the interests of CHOs that manage such facilities, we suggest the SHP needs to clearly outline the State's position on the role of boarding houses as a housing option. CHOs have demonstrated a capacity to manage boarding houses efficiently and effectively for their clients, and should be considered as a redevelopment/non-profit management option for dysfunctional private facilities.

Recommendation 14: that the SHP express positive support for the role of well maintained, well-managed boarding houses and SRFs as housing options within the diverse range of social housing provision in South Australia

There is scope for an increased involvement of the Community Housing sector in the delivery of affordable housing for Aboriginal people, and this needs to be explored.

The self-build program within the sector has delivered some good housing outcomes and other benefits for those involved. However, some problems have also arisen with the program, and it is currently on hold. The CHCSA supports a review of the self-build program, with a view to retaining and improving it as an option within the larger program. Some self-build projects have benefited from a mentoring/management support role from an existing CHO.

4.10 Housing for People with Disability or Mental Health Issues

The Community Housing sector provides a range of flexible and responsive housing services to people with disability or mental health issues. CHOs develop working relationships with a wide range of support services. In relation to these areas of need, and in the context of the SHP, the CHCSA suggests a number of key measures for the improvement of outcomes in this area:

Recommendation 15: that the SHP support a view that people requiring support services should enter the Community Housing (or social housing) system with a support plan and funding linked to each individual, and that this should continue to be in place after the individual is housed.

Other measures to consider:

- Adaptable housing standards should be the 'default' standard for all new build housing within the sector
- Introduction or expansion of individual life skills programs in areas such as management of personal finance

4.11 Sustainability & Innovation

The State Government has identified the area of environmental and triple-bottom-line sustainability, as a high priority for the State. The SHP clearly picks up on this, and forecasts a number of measures, particular through urban renewal projects.

The Community Housing sector has a strong record in areas of innovative housing designs, building sustainable communities and measures to generate positive environmental outcomes through housing. The CHCSA has undertaken specific measures to increase understanding of the vital role that housing and urban planning can play in relation to environmental and social sustainability, and we strongly support a revived and increased role for the sector in this vital area.

It must be widely recognised also that measures to improve environmental outcomes through housing and planning now also have a vital role to play in housing affordability. Such measures can reduce household costs substantially in areas such as energy use, water use and transport costs.

Recommendation 16: that the SHP strongly supports the development of a whole-of-government sustainability strategy that provides a coherent framework for planning in areas such as land use, transport infrastructure, energy and water infrastructure, urban planning and housing.

4.12 Infrastructure and Services within the Community Housing Sector

In recent times the CHCSA Policy Committee has discussed the potential benefits of a sector re-organised on a regional basis, with an (appropriately funded and skilled) CHO operating as a key reference point and service provider within each region. Although such a scheme has not yet been widely canvassed within the sector, and is not formally supported by the CHCSA, it is felt that it is of sufficient interest in this context to put forward, as a means of promoting discussion and debate.

Therefore a draft Discussion Paper on the topic of 'Regionalised Infrastructure' is attached as Appendix 2.

4.13 Other Submissions and Views from CHCSA members

A number of further items are attached as **Appendix 3.**

Submission prepared by Matthew Fisher, CHCSA Policy/Research Officer.

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