

# AHI – Reforming Social Housing - A Once in a Generation Chance

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- Defining the Problem
- Reform process – COAG – December 2008 – ‘Reform Directions’
- Nation Building and
- Reform process – COAG December 2009
- Core issues to be resolved
- 2012 – Two scenarios

# Summary

- Demand exceeds supply (bottom ½ of market)
- Housing affordability improving but still poor
- Land supply seems pretty good in most capital cities, but issues with (*inter alia*):
  - infill land supply
  - infrastructure provision & charging
  - planning & development approval processes & requirements
- Capacity constraints
  - development finance (short term?)
  - availability of skilled labour (long term)
  - differential cost of labour for different types of development

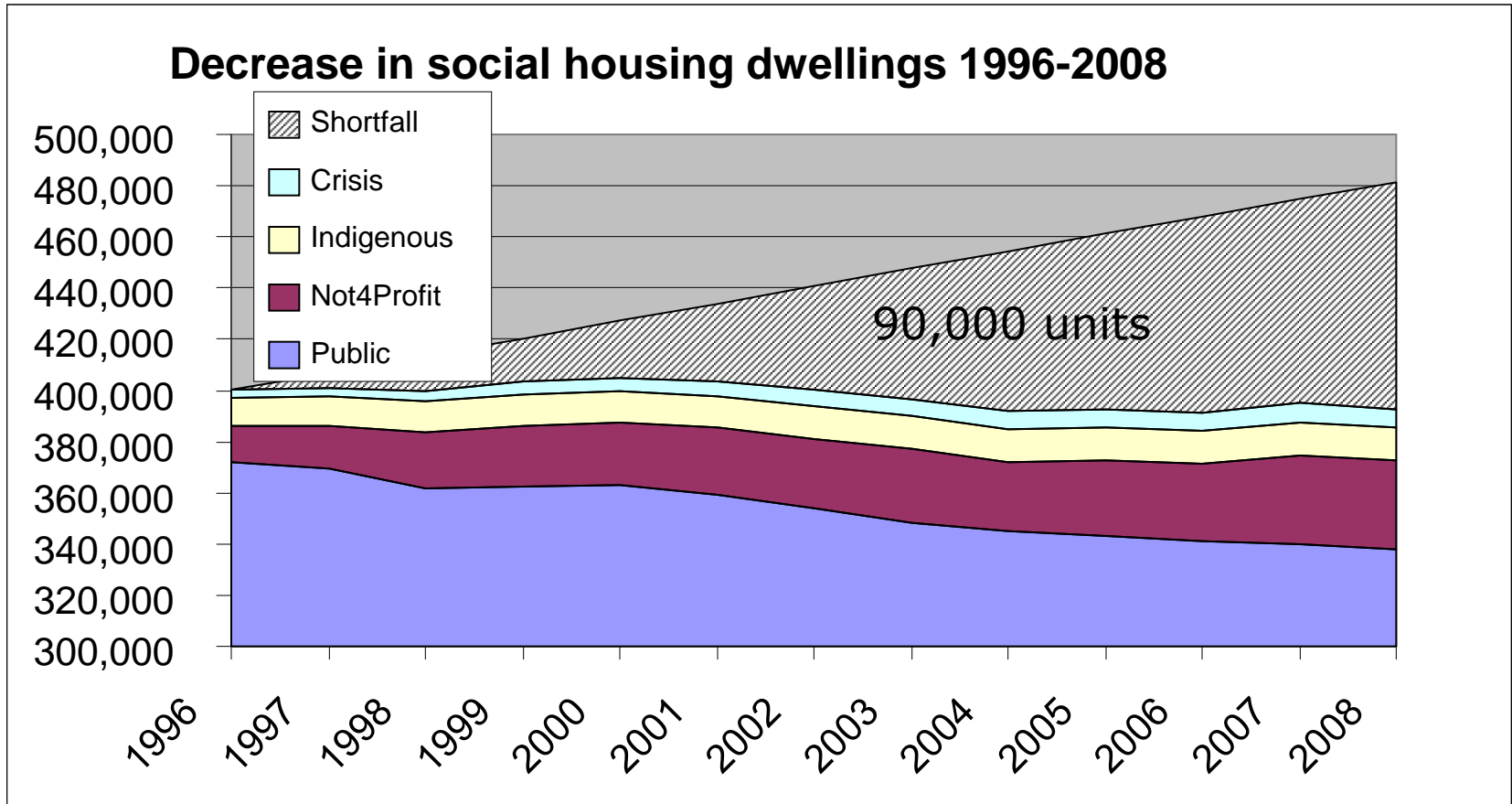
# Initial demand-supply balance

- In 2006 Census  
supply= demand (by definition)
- But estimated gap of 85,000 (at June 2008) based on:
  - 9,000 = homelessness (sleeping rough)
  - 35,000 = sharing with friends or relatives
  - 13,000 = marginal residents
  - 26,000 = additional rental dwellings to attain  
3% vacancy rate

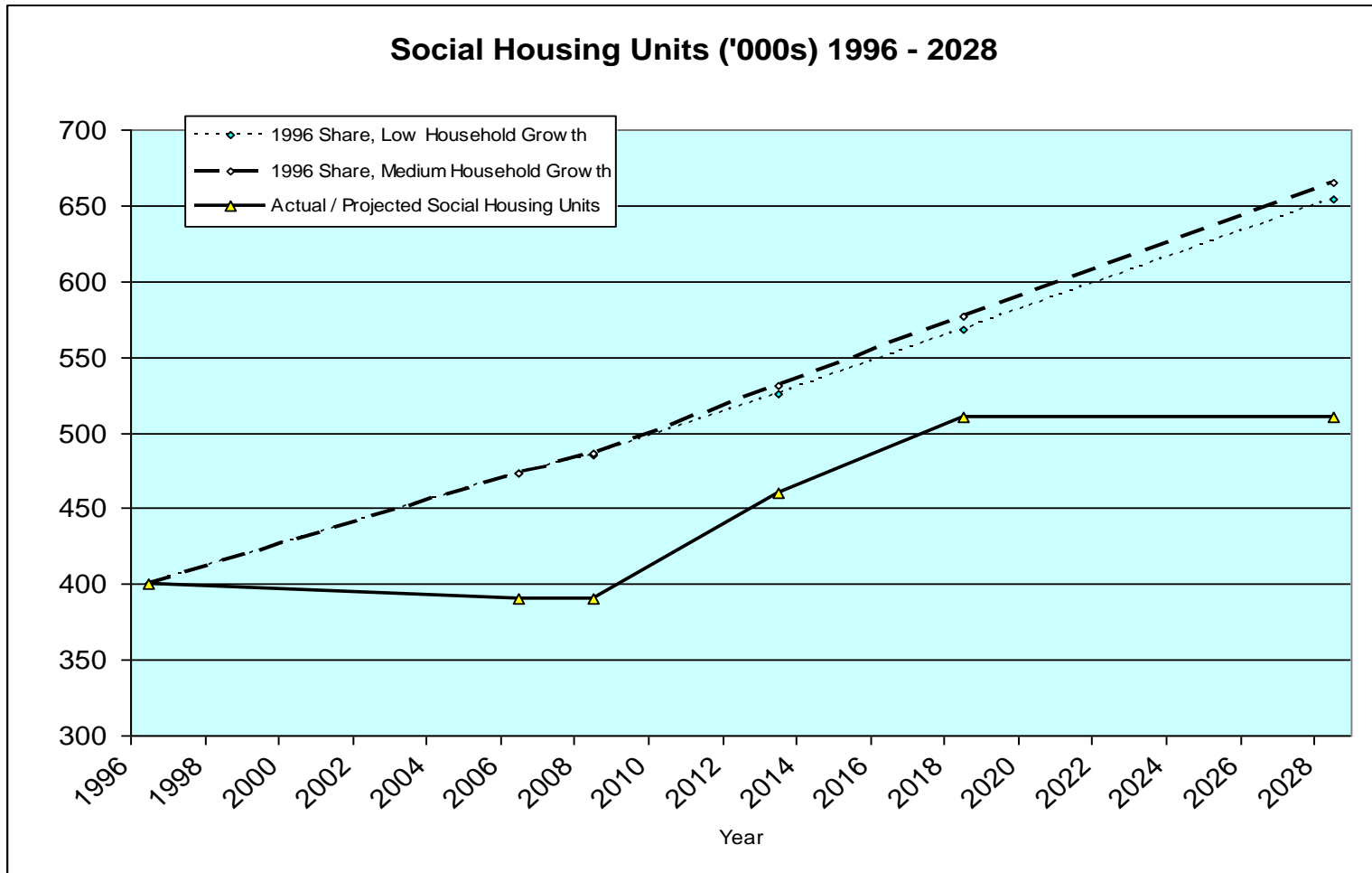
# Rental affordability for lower income earners

Income	Households	Affordable dwellings	Affordable and available	Shortage
Low (bottom 20%)	237,000	91,000	35,000	202,000
Lower (bottom 40%)	600,000	830,000	349,000	251,000

# Social housing



# Social housing projections



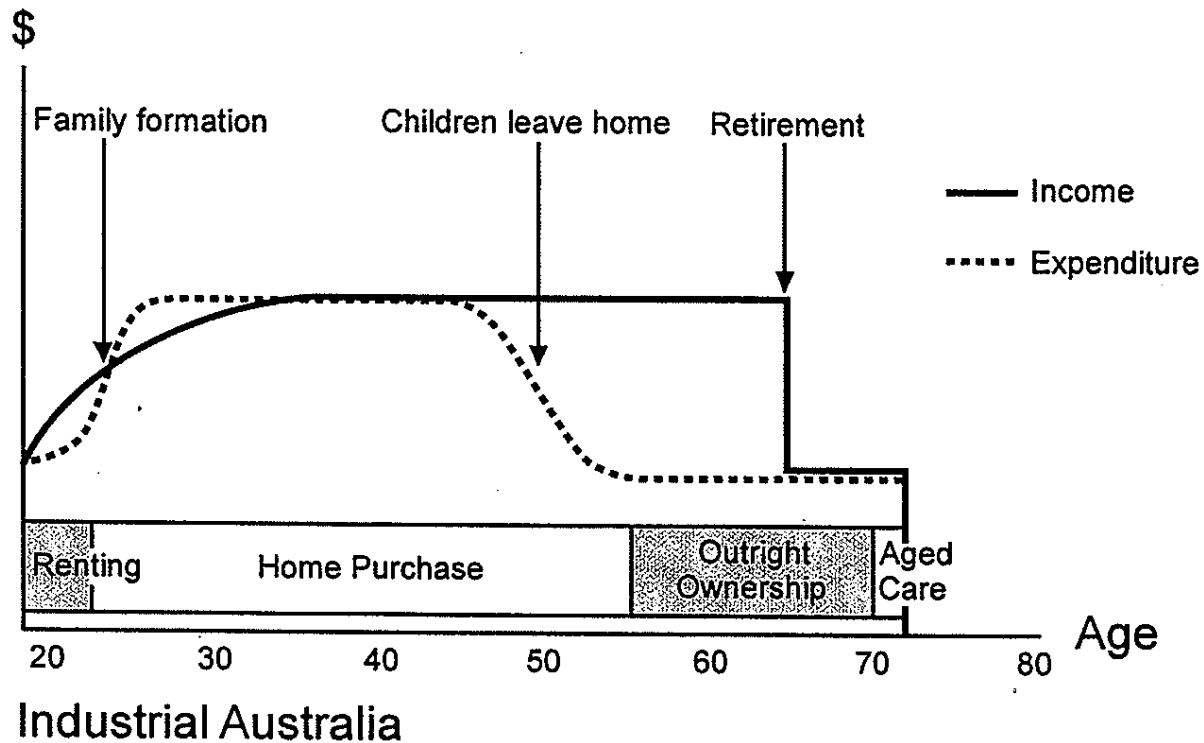
# Conclusions and issues arising

- Supply shortages at bottom end of market:
  - Need for extensive investment/innovation in social housing – measures already announced; more will be needed.
  - Need to stimulate supply/innovation in affordable rental – measures announced, more likely to be needed.
- Need to look at ways of significantly lowering barriers to home ownership for moderate income first home buyers.
- Need to consider means of lifting efficiency of housing market:
  - Incidence and impact of taxation on land & housing
  - Infrastructure provision & charging regime ripe for review
  - Workforce planning, training & organisation
  - Infill land aggregation, rezoning and development approvals
  - Ensuring adequate supply of genuinely developable land
  - Innovation in product for FHB's and lower income households.
- Need for better data, modelling & research for evidence-based policy and practice (NHSC, AHURI, industry).

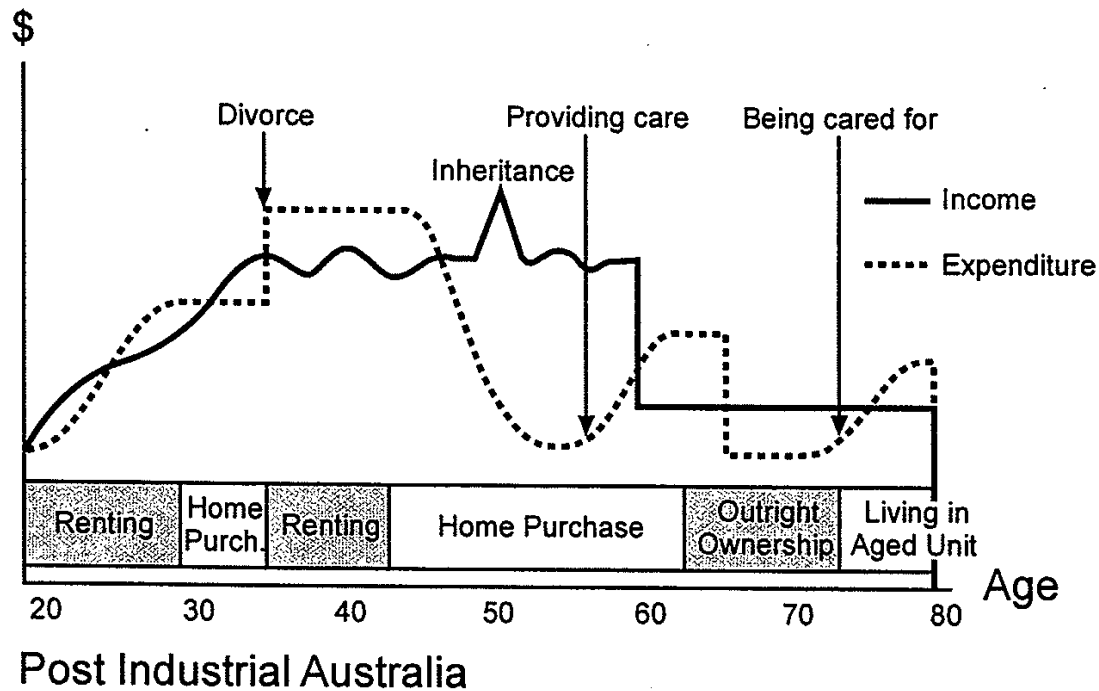
**The issue is not only supply, but  
changing and dynamic demand  
characteristics and housing  
product**

# Industrial Australia

**Figure 2. Changed Life Histories and Changing Housing Careers**



# Post Industrial Australia



Source: Adapted from Williams 2003 p. 166.

# The outlook facing all public housing authorities is very challenging

- Waiting lists
- Targetting
- Stock condition and maintenance liabilities
- Between 1996 and 2008 Commonwealth contributions via CSHA declined 26%
- Resulting in operating deficits in all jurisdictions
- States now responsible for meeting deficits
- Size of capital requirement unclear – large or very large
- Restructuring of estates and social inclusion – capital hungry and leads to stock loss

# 2008 marked the end of an era

- CSHA ended after more than 60 years
- The National Affordable Housing Agreement was established – defining housing need ‘in the broad’ !
- Inter-governmental Agreement on Federal Financial Relations – COAG December 2008
  - Roles and responsibilities
  - SPP’s reduced from 90 to 5
  - Outcome-based
- \$7.1 billion in additional payments over 5 years.
- Homelessness – additional \$800m over 5 years.
- Social housing – additional \$400m over 2 years.

What priority does this suggest  
for social housing?

# Nation Building – Feb 2009

- \$21.5b for education, social housing, road and rail infrastructure
- \$6.4b over 2 years to produce 20,000 Social Housing units
- “Leaders agreed this measure would drive significant reform of social housing through consolidation of waiting lists, growth of the not-for-profit sector, funding reform and reductions of concentrations of disadvantage”.
- “COAG also agreed that the States would:
  - Ensure recurrent costs of new housing are met...
  - Progress reforms in the sector (next 4 slides) and report to COAG by December 2009 on these”.

# Social Housing – Attachment B

Building on COAG's recognition in July 2008 that there was potential for reform of social housing, the Commonwealth will provide a landmark investment of \$6.4 billion from 2008-09 to 2011-12 for the construction of around 20,000 social housing units and repairs and maintenance to around 2,500 existing public housing dwellings. Under this new commitment, the Commonwealth will allocate \$6.0 billion for new social housing and will also provide up to \$400 million for repairs and maintenance of existing public housing stock over two years.

# Social Housing (2)

COAG agreed that the States would progress reforms in the sector and report to COAG by December 2009 on these, including:

- integration of public and community housing waiting lists;
- better social and economic participation for social housing tenants by locating housing closer to transport, services and employment opportunities;
- implementation of support arrangements to assist social housing tenants to transition from social housing arrangements to affordable private rental and home ownership as their circumstances change;
- reducing concentrations of disadvantage through appropriate redevelopment to create mixed communities that improve social inclusion;
- introduction of a national regulatory and registration system for not-for-profit housing providers to enhance the sector's capacity to operate across jurisdictions;

# Social Housing (3)

- increased transparency through the establishment of consistent and comparable accounting and reporting standards across jurisdictions that allow clear and objective assessments of performance that meet public accountability requirements;
- social housing providers to be subject to independent prudential supervision to protect public investment in the sector;
- improved tenancy management and maintenance benchmarks for social housing;
- improved efficiency of social housing including through better matching of tenants with appropriate dwelling types and the introduction of rental setting policies that reflect the type of dwellings occupied by tenants;

# Social Housing (4)

- introducing contestability in allocation of funds to encourage a range of new providers and create diversification in the not-for-profit sector to enhance the ability of providers to offer housing options to a broader range of client types;
- leveraging of government capital investment to enhance provision of social housing;
- better use of government-owned land to provide more affordable housing opportunities for low income earners; and
- improved procurement practices that promote competition between proponents and provide participation opportunities for small and medium enterprises.

# Some core dilemmas

- How can the differing housing needs of people at different times be met – flexibly and efficiently?
- Australia appears to be moving away from a narrow market-based housing assistance model towards a more balance approach shared by trading partners – how is this to be done in a Federal context?
- As public policy turns to managing future deficits, how should (less) housing finance be arranged?

# Core dilemmas cont'd

- If a diversified and contestable provider model is pursued, what does this mean for mass providers of public housing?
- Where does the locus of authority for designing system reforms lie?
- Can existing mass providers reasonably be asked to design their competitors?
- How are planning, land and infrastructure interests to be engaged in policy and funding.
- How is private finance to be attracted to the mix?

**A key danger in the current environment is that capital funds provided through the ESP/Nation Building are applied to a failed system and temporarily conceal the underlying problem.**

# Core reforms

- Consumer choice and greater social and economic opportunity – e.g. Choice Based Lettings
- Reducing concentrations/community renewal – with private capital, with community engagement, with independent delivery
- Engagement of new providers – private and nfp at scale structured participation of planning and urban land authorities.
- Contestability, transparency and prudential supervision
- National regulation system
- Blended financing models
- Clearer roles and responsibilities

# Roles and responsibilities

Country	Policy	Funding	Delivery	Regulation	Evaluation
<b>United Kingdom</b>	Dept of Communities and Local Government	Homes and Communities Agency	Housing Associations; Local authorities; Arms Length Management Organisations	Tenant Services Agency	Universities
<b>Australia</b>	Commonwealth, States and Territories (operational)	States and Territories	States and Territories Community; Housing Organisations	States and Territories	States and Territories
<b>Australia – future</b>	?	?	?	?	?

# Looking back - 2012

- NAHA funding review imminent
- \$6.4billion in Nation Building spent
- Elections nationally, NSW, Vic, SA
- Recovery underway – economy and employment growing
- Interest rates on the rise
- Public spending being managed downwards
- Population/housing demand growing
- Housing prices increasing
- ‘Audits’ of Nation Building initiatives completed.

# Scenario 1 – Business as usual

- Public housing deficits growing
- Social housing supply stalled
- National Regulation – being “harmonised” by State and Territory governments
- Supply shortfalls growing
- Affordable Housing Sector dissipated
- Private finance limited
- NRAS Stage II unfunded.

## **Scenario 2 – Australian Affordable Housing joins its mainstream trading partners**

- Nation Building assets now being leveraged by nfp providers
- New balance emerging in affordable housing:
  - Public housing
  - Former public housing
  - Growth providers
- New financing models emerging:
  - Public incentives (CRA, NRAS, Tax)
  - Asset leverage
  - Private funding
- Planning policies guide affordable housing and providers
- Business rules for all (scale) providers in place
- National Regulatory System in place.

# Scenario 2 cont'd

- Entry of new national players to affordable housing
- Governance of affordable housing responsibilities being re-designed in all jurisdictions
- Engaged, motivated and invigorated industry sector

Which is likely to make  
a case for on-going public  
investment?