SVA PERSPECTIVES

Housing

One million people live in disadvantage in Australia today. Each year billions of dollars are poured into social services and reform programs across welfare, education and health and yet so many people continue to experience disadvantage.

SVA works to improve the lives of people in need. Our unique approach focuses on understanding the structural causes behind persistent disadvantage, then finding and supporting the innovative approaches that can create systemic change. Our practice is evidence based; a discipline we apply to every facet of our organisation.

By offering funding, investment and advice, we support partners across sectors to increase their social impact. Since 2002, we have worked in partnership with community service organisations, philanthropists, governments and businesses to help improve the lives of people in need. Through our work, we have developed a practical understanding of what it takes to tackle disadvantage.

People and organisations that create real impact have a deep understanding of the environment they are operating in. This means being clear on the exact issue they are trying to address and understanding who else is operating in the ecosystem. They design and deliver their programs and services based on evidence of what works best.

High-impact organisations contribute to system change. They introduce innovative approaches, work collaboratively, share their knowledge so others can learn from them (both successes and failures) and jointly advocate for change.

As part of our commitment to driving system change, SVA has developed a series of papers in four focus areas; Education, Employment, Housing and First Australians. We have combined our practical experience with publicly available data and research to present our perspective. In each paper we set out our vision for the future, a summary of the issue, actions required to achieve the vision, a discussion of the drivers of better outcomes and small snapshots of SVA's work.

We hope that these papers spark debate, innovation and collaboration.

Everyone has a role to play. We invite you to join us in building and sharing the knowledge base of what works best to improve the allocation of funding, increase the impact of services and change lives.

Rob Koczkar
CEO
Social Ventures Australia

SVA's vision

SVA has a vision in which stable, appropriate and affordable accommodation is available for all Australians with tailored wrap-around support and transitional opportunities for low-income earners.

We have developed an evidence-informed perspective on the actions required to achieve this vision, underpinned by identified drivers of better outcomes for low-income earners, and an understanding of what works.

The issue

Not having safe and stable accommodation is often a barrier to educational attainment, sustainable work, good health and wellbeing and strong family and community relationships. Those who are disadvantaged by poverty, poor education, unstable employment or poor health are less likely to have secure housing, less likely to transition successfully to the private rental market or home ownership, and are at greater risk of homelessness.[7]

In addition, Australia has an inadequate supply of stable, appropriate and affordable accommodation, particularly for those on low-incomes. This has a significant detrimental impact on individuals and families but also on government resources and the economy.

In the past few decades, Australia's housing landscape has changed significantly, worsening this situation, as outlined below:

- Ownership remains the dominant form of housing but it is less affordable, and now makes up a smaller proportion of households.
- In 2014 there were almost 8.8 million households. Of these, 31% were owned outright (compared to 42% two decades ago), 36% owned with a mortgage (compared to 30%), 26% privately rented (compared to 18%) and 3.6% rented from a state or territory housing authority (compared to 5.5%).[1]
- Real house prices have risen at a faster rate than incomes.[2]
- A significant proportion of private renters are in the bottom 40% of the income scale, with 47% receiving some form of income support, and a fifth for whom income support is their primary income.[3]
- In addition to the declining affordability of ownership, in the past decade the cost of renting has risen at twice the rate of wages[4] and the proportion of total stock as social housing stock has fallen to less than 5%.[5]
- At the same time, the number of people on social housing waiting lists has grown to more than 215,000.[6]
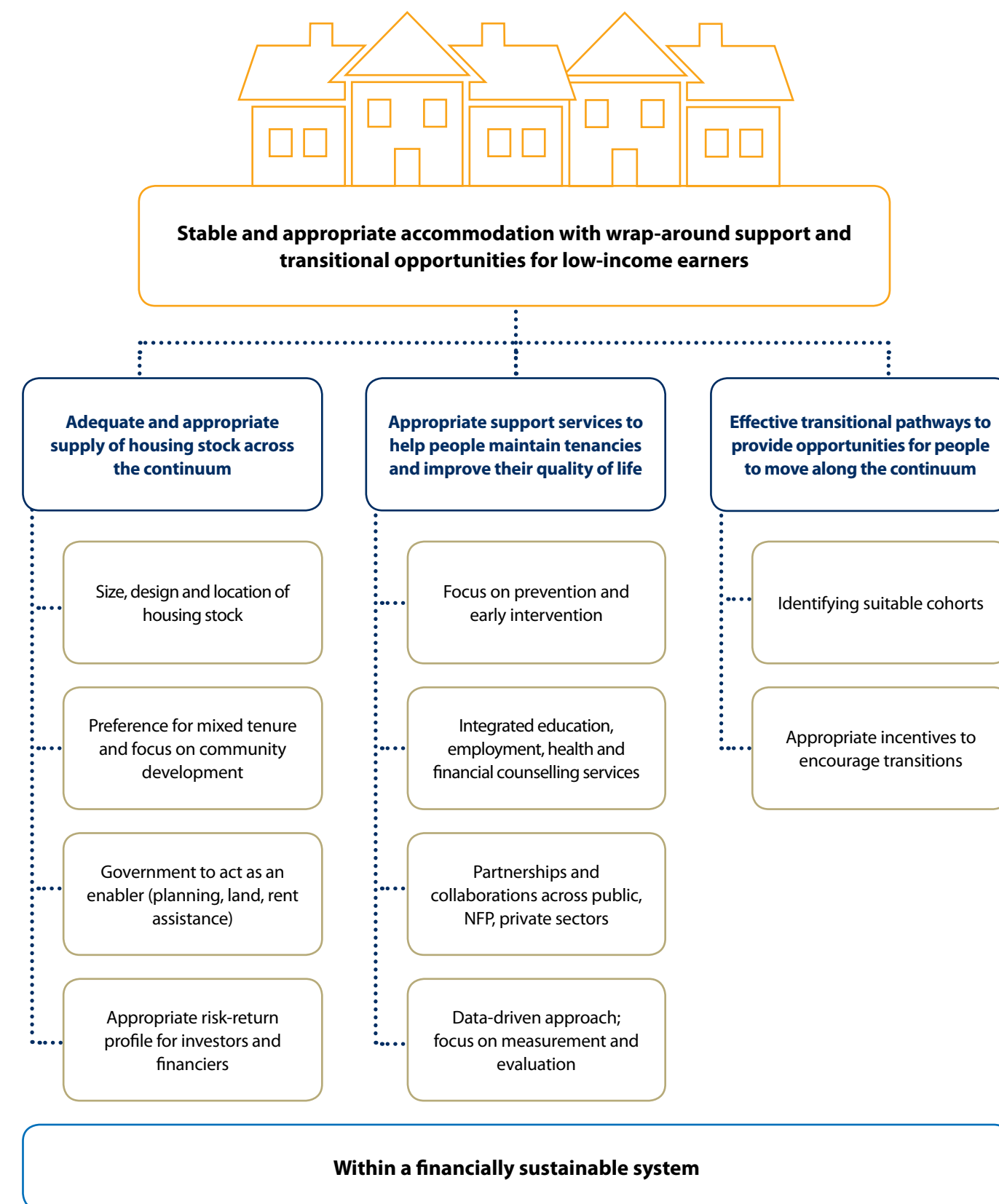
Drivers of better outcomes

Stable and appropriate accommodation with wrap-around support and transitional opportunities for low-income earners

Adequate and appropriate supply of housing stock across the continuum	**Appropriate support services to help people maintain tenancies and improve their quality of life**	**Effective transitional pathways to provide opportunities for people to move along the continuum**
Size, design and location of housing stock	Focus on prevention and early intervention	Identifying suitable cohorts
Preference for mixed tenure and focus on community development	Integrated education, employment, health and financial counselling services	Appropriate incentives to encourage transitions
Government to act as an enabler (planning, land, rent assistance)	Partnerships and collaborations across public, NFP, private sectors	
Appropriate risk-return profile for investors and financiers	Data-driven approach; focus on measurement and evaluation	

Within a financially sustainable system

FIG 1. SVA HOUSING DRIVER TREE

HOMELESSNESS

Homelessness is closely related to housing insecurity for low-income earners. While there is no universally accepted definition of homelessness, we have adopted the ABS definition of homelessness as a person who does not have suitable accommodation alternatives and their current living arrangement:

- is in a dwelling that is inadequate; or
- has no tenure, or their initial tenure is short and not extendable; or
- does not allow them to have control of, and access to, space for social relations.

On this basis, a person would be classified as homeless if they did not have the financial, physical, psychological or personal means to obtain suitable accommodation.[9] This paper focuses on housing insecurity for low-income earners, not on homelessness as such. To the extent that the contributing factors of the two issues overlap, so do their solutions.

THE SCALE OF THE CHALLENGE

For many people on low-incomes, housing options are limited to: the small number of private rentals that are affordable and available to low-income earners; social housing for which there are long and growing waiting lists; or unstable and inadequate accommodation amounting to homelessness.

Australian Housing and Urban Research Institute (AHURI) calculated that the shortfall in affordable and available private rentals for low-income earners was almost 400,000 properties, up from 225,000 in 2006.[10] This means many low-income earners cannot afford to rent any form of housing. Even for those who are able to access the private rental market, most experience 'rental stress'. This is generally defined as renters in the bottom 40% of income earners paying more than 30% of their gross income on rent. The former National Housing Supply Council estimated that in 2009-10 up to 60% of private renters were experiencing rental stress.[11]

Commonwealth Rent Assistance (CRA) is available to eligible low-income renters in private and community housing but even with this, the number of people in rental stress is significant. At June 2013, about 40% of CRA recipients were experiencing rental stress – and without CRA, this would have been 67%.[12] The proportion has remained steady since 2009.[13]

Actions required

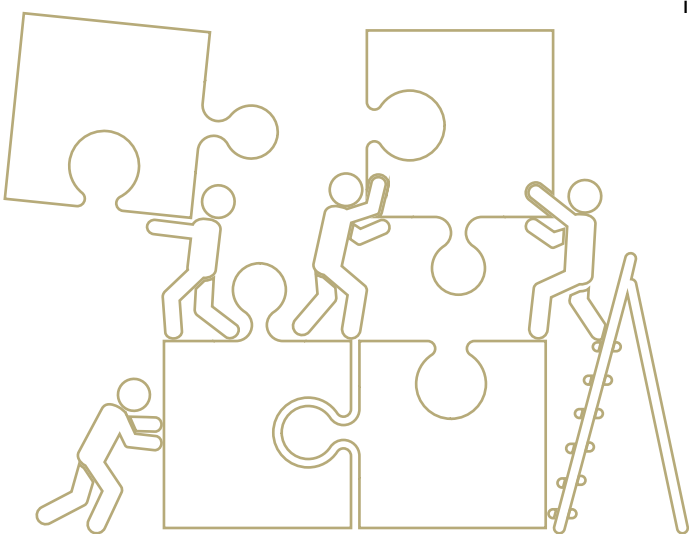**Adequate and appropriate supply of housing stock across the housing continuum**

1. Forge partnerships with large-scale private sector participants including developers to engage with the social/affordable housing sector in a strategic and meaningful way.

2. Explore growth and consolidation opportunities within the Community Housing Provider (CHP) sector to improve the scale and sophistication of CHPs which will make them more attractive to institutional investment.

3. Governments should set net new supply targets for social and affordable housing.

4. A whole of government, and multi-tiered, response involving planning, housing and treasury, is essential to support development of new stock.

5. Develop a package of tax incentives and/or other stimulus measures to catalyse institutional investment in social/affordable housing through scalable funding models.

6. State governments should provide longer management agreements (15 years+) of government-owned stock and/or longer-dated funding commitments.

Appropriate support services to help people maintain tenancies and improve their quality of life

7. Improve integration of services delivered to people at risk of homelessness, particularly for complex cohorts.

8. Agree a framework by which outcomes can be measured and evaluated – with a focus on social mobility.

9. Increase transparency and availability of data across all housing and services linked to housing support – government and CHP sector.

10. People (and outcomes) to be placed at the centre of policy and service design – this will likely include a stronger emphasis on a strengths-based/aspirational model of wrap-around support.

11. More resources to be allocated to prevention and early-intervention service design and delivery with a focus on outcomes-based service agreements, including new financing instruments such as social impact bonds.

Effective transitional pathways to provide opportunities for people to move along the continuum

12. Match rental subsidies to circumstance not to address.

13. Develop appropriate incentives to encourage transition e.g. reduce marginal tax rate disincentives.

14. Develop alternative housing models along the continuum (housing at 40-75% of market rent) including longer-term leases.

Understanding the drivers of better outcomes

1. ADEQUATE AND APPROPRIATE SUPPLY OF HOUSING STOCK ACROSS THE CONTINUUM

In Australia, government programs to stimulate social and affordable housing supply combined with support services have achieved positive results. After the release of The Road Home: A National Approach to Reducing Homelessness in 2008, the federal government introduced a number of programs.[14] They included the *Social Housing Initiative* (SHI) to increase the quantity and quality of social housing and stimulate the building and construction industry.[15] The program exceeded targets and produced an extra 19,700 dwellings that mainly benefited homeless people, those with a disability and elderly people.[16]

In Finland, increasing the housing supply was a key element of reducing the number of homeless people from nearly 10,000 in 1985 to fewer than 2,000 in 2012.[17] Homelessness continues to decrease.[18] More recent measures include adopting the *Housing First* model for addressing homelessness, which is based on placing homeless people into long-term housing first, then giving them the support services to address the underlying causes of their homelessness.[19] *Housing First* is a model that has permeated homelessness policy in multiple countries including Australia and has been shown to be effective for people with even the most complex needs.

1.1. SIZE, DESIGN AND LOCATION OF HOUSING STOCK

Size

The size of much social and affordable housing is not suitable for those most likely to use it, and has not adapted to changing demographics. Demand for one- or two-bedroom dwellings significantly outstrips supply, while there are too many three- and four-bedroom houses in some areas. Inadequate size contributes to underutilisation on the one hand, and overcrowding on the other.[20]

In recent years developers and housing providers have begun trialling more innovative 'right-sized' housing types including smaller dwellings such as mews developments, courtyard housing and dual-key schemes appropriate for smaller households.[21]

Design

Design is especially important for those who have specific needs. At June 2013 almost 40% of social housing tenants had a disability,[22] and there is significant unmet need for suitable housing for this group. AHURI has calculated that by the time the National Disability Insurance Scheme (NDIS) is fully implemented in 2019, there will be an unmet need in affordable housing for 83,000 to 122,000 NDIS participants.[23] Design should cater for the ageing of social housing tenants and the rising proportion of people with a disability who will be able to live in independent or semi-independent accommodation as a result of the NDIS but who will not have access to appropriate housing.

The recent positioning paper released by the National Disability Insurance Agency (NDIA) seeks to address the lack of suitably designed stock for people with a disability by aligning specialist disability accommodation payments under the NDIS framework with the additional costs associated with necessary design specifications. For example, a price (or subsidy) has been linked to design categories including improved liveability, accessibility, robust construction and high support needs. This price signal acts as an incentive to the market to build more suitably designed stock.

Location

Existing stock does not adequately take into account education and employment opportunities. Its locations often increase social exclusion. Decades-old policies entrench disadvantage in some locations.[24] In New South Wales, 28% of social housing tenants are unemployed and 94% receive Centrelink as their primary income;[25] yet in many areas of social housing, jobs are limited.[26] Research by Australians for Affordable Housing shows that in areas of major cities where entry-level jobs are growing, housing is unaffordable, even an hour's travel away.[27] At the same time, economic activity is becoming more concentrated in the big cities, making it more difficult to improve economic participation without creating significant housing stress.[28] The private rental market also lacks appropriately located affordable stock. Anglicare Australia's 2015 Rental Affordability Snapshot shows that of the more than 65,600 private rental properties assessed for suitability nationally less than 1% were available for single people living on allowances.[29]

A recent example of a government-enabled initiative, *Connected Living*, to deliver affordable housing in the right locations is in Western Australia where the housing authority is seeking private sector involvement for the design, funding and development of a number of sites close to the CBD with a vision to help transform the housing market in Perth through the delivery of more affordable developments around key transit precincts and activity centres.
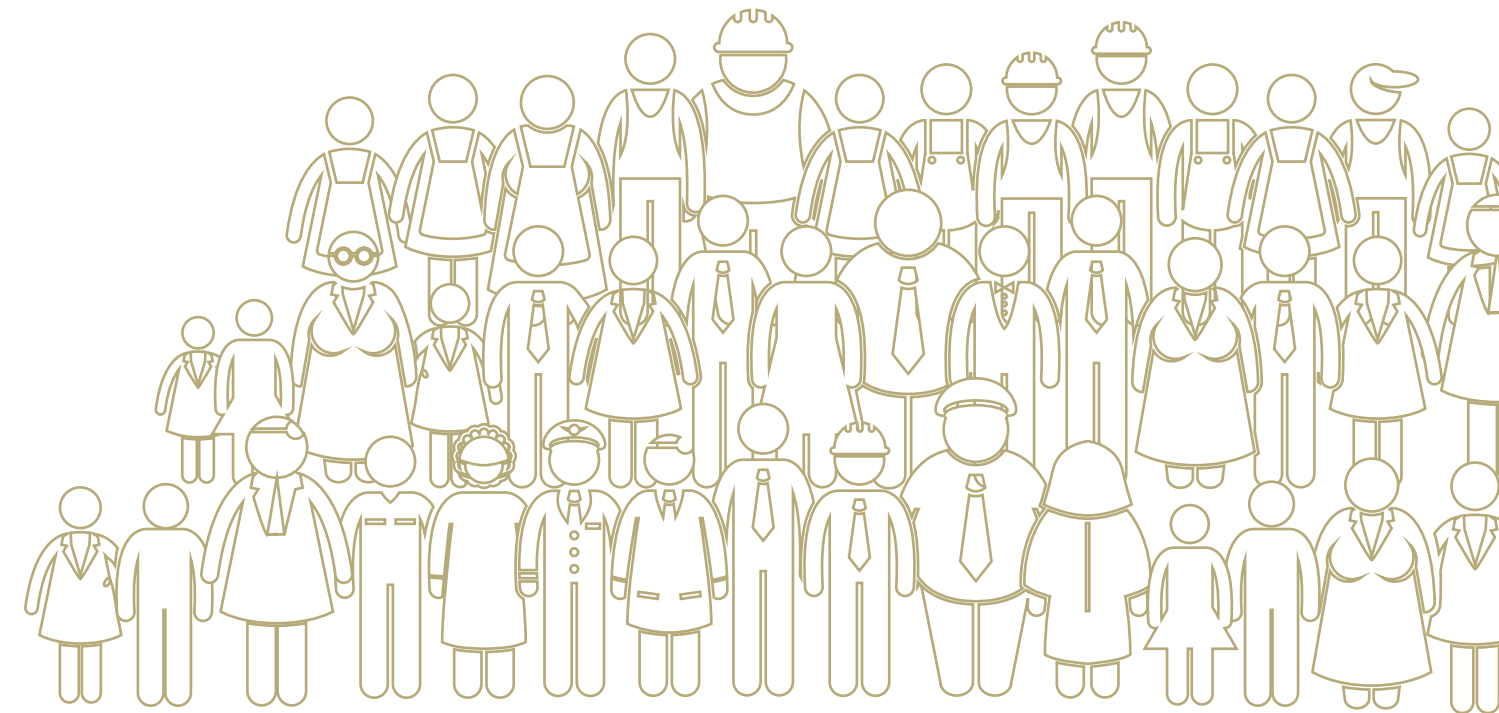
1.2. MIXED TENURE

Mixed tenure prioritises the diversity of tenants and housing types within a new development. This can be a mix of individuals or families on a range of incomes, from different backgrounds and cultures and with a variety of occupations. Such diversity, when managed properly, improves social cohesion and the financial viability of the development[30].

Conversely, problems have occurred in areas where there is a concentration of social housing but local industry no longer supports the community. In more affluent locations, social housing stock is either concentrated in high-density developments (e.g. Redfern in Sydney) or sold off to bolster government funds, leaving some 'gentrified' areas with no social housing.

Disadvantage is spatially concentrated so housing developments need to take these factors into account.[31] In 2015, a study found that 1.5% of postcodes in New South Wales, Victoria and Western Australia accounted for 12-14% of the top 5% ranks on indicators of disadvantage.[32]

But mixed tenure developments need to be complemented by a community development approach. It can include programs to improve job prospects, new businesses that could be set up and training and education for young people at risk of long-term unemployment to ensure their skills are matched with labour market demand.

Achieving mixed tenure can include one or more of the following:

- ensuring that social and affordable housing is included in new developments in economic and labour market growth corridors, such as infill of previous light industry sites near transport hubs

- requiring minimum proportions of social and affordable housing in new developments, also referred to as inclusionary zoning

- incorporating full-market properties and social and affordable housing in urban renewal projects

- implementing community development approaches in areas of entrenched disadvantage.

Mixed tenure models have been successfully implemented in the United Kingdom (UK) in the London boroughs of Southwark and Tower Hamlets,[33] and in Australia in the *Riverwood North urban renewal project* in New South Wales, which integrates social and private housing and provides 150 social units for seniors and up to 450 privately owned and affordable dwellings.[34]

The NSW government has also announced the *Communities Plus* initiative to incentivise private market involvement in redeveloping priority sites close to public transport, schools and social infrastructure. Land and Housing Corporation (LAHC) has identified seven sites in the first instance that will be available on concessional leasehold or freehold title. Private sector consortia will be required to develop sustainable mixed communities of around 3,000 dwellings with each redevelopment including 30% social and affordable housing supported by initiatives to improve tenants' life circumstances.

1.3. GOVERNMENTS TO ACT AS ENABLERS

While governments cannot solve the housing issue by themselves, they are key players in many of the drivers that influence social and affordable housing as well as the broader housing market. We believe the best role for governments is that of a proactive enabler, developing policies that facilitate non-government participants' involvement.
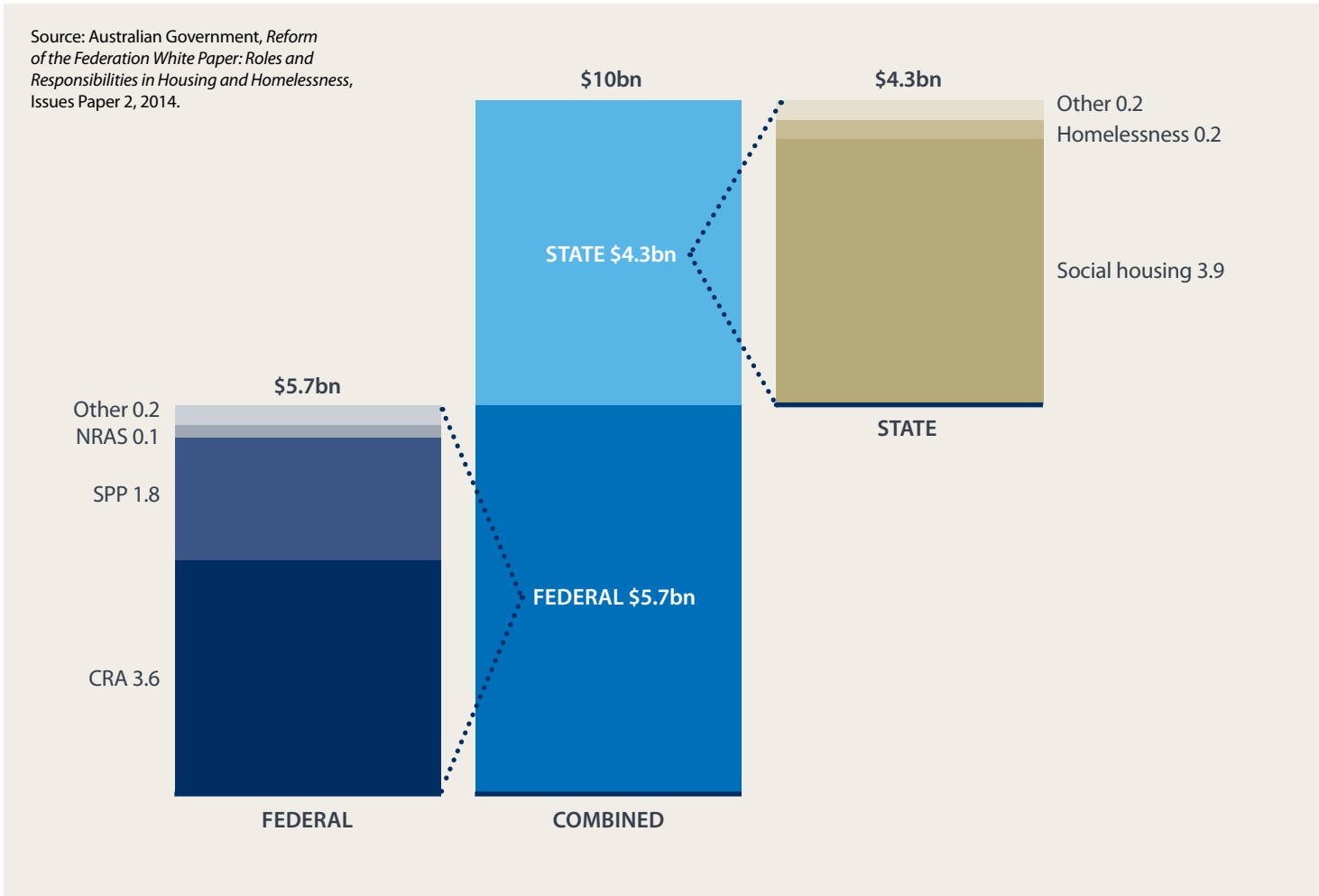
The table below outlines areas in which governments can directly influence the social and affordable housing supply:

LEVERS TO STIMULATE NEW SOCIAL AND AFFORDABLE HOUSING

LEVER	DETAILS / EXAMPLES	FED / STATE RESPONSIBILITY	SCALE OF IMPACT
Construction / development costs	• Innovative design / build concepts – e.g. modular housing • Large scale development capability of CHPs to reduce project costs	N/A	LOW
Financing costs	• Interest rate subsidy • Government guarantee administered by a financial intermediary	Federal / State	MEDIUM
Financing terms	• Long dated financing tenor up to 15-20 years (funding certainty for borrowers) • Lower debt servicing hurdles (where prudent) • Lower interest rates	Federal / State	MEDIUM
Management rights transfer	• Leverage rental income stream to develop new stock • Limited by maintenance liabilities on existing stock	State	MEDIUM
Planning regulations	• Inclusionary zoning – 10-15% based on LGA needs assessment • S.94 contributions waived for CHP residential development projects	State	MEDIUM
Income support	• CRA moved to floating mechanism linked to market rent	Federal	MEDIUM
Tax incentives	• Replacement mechanism for NRAS • Tax credit for new social and affordable housing	Federal	HIGH
Land costs	• Partnership between NFP, land banks and CHPs – alignment mission and purpose • Land gifted or leased at peppercorn rent from the State	State	HIGH
Land / stock ownership transfer	• Title transfer of social housing to CHPs with leverage commitments • Medium-long term leases (20-30yrs) of social housing to CHPs with land swap	State	HIGH

To varying degrees, governments provide support in some of the areas above. As a result, they have significant recurring fiscal commitments to housing. Below is a summary of recurring expenditure by both levels of government in 2012-13:

PUBLIC EXPENDITURE ON HOUSING AND HOMELESSNESS BY LEVEL OF GOVERNMENT

Source: Australian Government, *Reform of the Federation White Paper: Roles and Responsibilities in Housing and Homelessness*, Issues Paper 2, 2014.

$10bn

$4.3bn

Other 0.2
Homelessness 0.2

STATE $4.3bn

Social housing 3.9

STATE

$5.7bn

Other 0.2
NRAS 0.1

SPP 1.8

FEDERAL $5.7bn

CRA 3.6

FEDERAL   COMBINED

To produce the right housing in the right locations, governments need to devise consistent policies that give certainty to tenants and prospective tenants, community housing organisations, developers and investors. This can include the following (see over page).

Government funding models

A recent example of a new government funding model is the *Social and Affordable Housing Fund* (SAHF) in NSW. The SAHF is designed to boost the delivery of social and affordable housing linked to support services by offering successful consortia a 25-year service agreement to provide a boost to rental yields that will unlock the investment of private capital – debt and equity – in the sector. The government has set a target of 3,000 new dwellings in association with the SAHF.

In the United States (US), the federal government has administered the *Low-income Housing Tax Credit* (LIHTC) program for 30 years. It is the largest federal program for the production and preservation of affordable housing in the US. It has financed the construction or rehabilitation of more than 2.4m affordable units over that period. The LIHTC program works as follows:

1. The IRS (tax office) allocates federal tax credits to state housing credit agencies.

2. Project sponsors apply through a competitive tender process.

3. State agencies award LIHTCs for qualified affordable housing projects based on state's priorities for desired type, location and ownership of affordable housing.

4. Project sponsors use tax credits to raise equity from private investors.

5. Equity investment reduces debt burden on the tax credit property making it financially feasible to offer lower, more affordable rents.

6. Tax credits are claimed annually over 10 years.

The primary investors in such developments have been the mainstream banks, given an internal rate of return of around 8% p.a. over the past 10 years compared to 10-year US Treasury bonds providing a 2% p.a. return.

1.4 RISK-RETURN PROFILE FOR INVESTORS AND FINANCIERS

Historically, there have been few examples of private capital being deployed to produce more social and affordable housing stock. More recently a number of the Tier 1 CHPs have secured corporate debt facilities that have had a very low gearing profile and have generally been limited to short-term durations. Since the winding down of NRAS, there are few tax incentives to encourage investors to finance the development of affordable housing.

The *National Rental Affordability Scheme* (NRAS) has come in for some criticism but its program to stimulate private sector finance for affordable housing delivered 38,000 new dwellings rented at below the market rate for a relatively small outlay compared with the cost of construction.[35] The NRAS showed that if governments have appropriate policies, the private sector will invest in affordable housing.

At present, the sector is very fragmented, with 241 registered CHPs across Australia[45]. For the CHP sector to achieve the scale necessary to help overcome the shortage of stock, it needs to attract institutional capital.

Consistent and holistic housing policies

In addition to funding, a national policy is essential and it should comprise:

- A revised National Affordable Housing Agreement that includes recognition of operational funding, investment in new stock and funding for homeless and support services.

- Agreement between the Commonwealth, states and territories on housing and homelessness responsibilities.

- Adequate Commonwealth Rent Assistance to reduce rental stress and underpin confidence in the rental streams for those investing in below-market housing.

- Better (and nationally consistent) regulation of the community housing sector to give investors confidence in the development of new social and affordable housing.

- State government planning policies that promote confidence in a pipeline of new social and affordable housing.

The severity of the shortage, the difficulties governments face in owning and managing properties, and the advantages of CHPs mean that increasing the mix of CHP ownership and management is a practical and high-potential way to create stable and appropriate accommodation with wrap-around support and transitional opportunities for low-income earners.

Renewal SA, a SA government agency that facilitates access to development opportunities for the private sector through the better use of government land holdings, is undertaking an initiative called *Renewing our Streets and Suburbs*. This program is seeking to renew all Housing Trust stock built before 1968 with 4,500 homes by 2020. This will involve tenancy and property management transfers for up to 20 years to community housing providers to enhance tenancy management and provide multi-layered services to tenants.

In the UK, housing associations are akin to CHPs in Australia. They are non-government bodies that provide rented homes at below-market rates and are not for profit. There are about 2,000 regulated housing associations, which provide about 2.9m homes.[46] In recent decades, the sector has attracted an estimated £62bn from bank and capital markets.[47] The key measures that promoted investor confidence in the sector were:

- Strong regulation on standards of governance and to promote financial viability.

- Government rental assistance for tenants equal to 70% of the rent, which is paid directly to landlords.

- Linking the rents the associations can charge, and the government assistance to market rates, giving investors and associations confidence in an income stream.

- Having an aggregating funder, The Housing Finance Corporation (THFC), which acts as principal and borrows in its name and at competitive rates, then on-lends immediately to registered providers.

Communities Plus (NSW)

- SVA is working with partners to secure the right to redevelop and deliver place-based initiatives at the Ivanhoe site (Macquarie Park) in Sydney within the Land and Housing Corp-led Communities Plus program.

- LAHC is seeking bids to deliver 2,500 dwellings along with the supporting infrastructure required to create a vibrant community – 30% of the dwellings are to be available for social and affordable tenants.

Horizon Housing (Qld) – debt and equity investment

- SVA provided a $6.7m debt facility in two tranches to Horizon Housing (one of Qld's largest CHPs) and to a subsidiary that it is a majority shareholder, Australian Affordable Housing Securities Ltd (AAHS).
- SVA also took a minority preferred equity stake in AAHS.
- This funding enabled Horizon to acquire the management rights of an NRAS portfolio (995 dwellings).
- Free cash flow generated from the project will create 60-80 additional social/affordable dwellings.

Uniting (NSW) – property portfolio review

- SVA undertook a review of Uniting's $1.5bn property portfolio with a view to leveraging its asset base to align to its mission.
- SVA provided recommendations to generate an optimal social and financial return on the portfolio.

- Lenders being able to take full security against housing assets valued according to a conservative valuation methodology.[48]
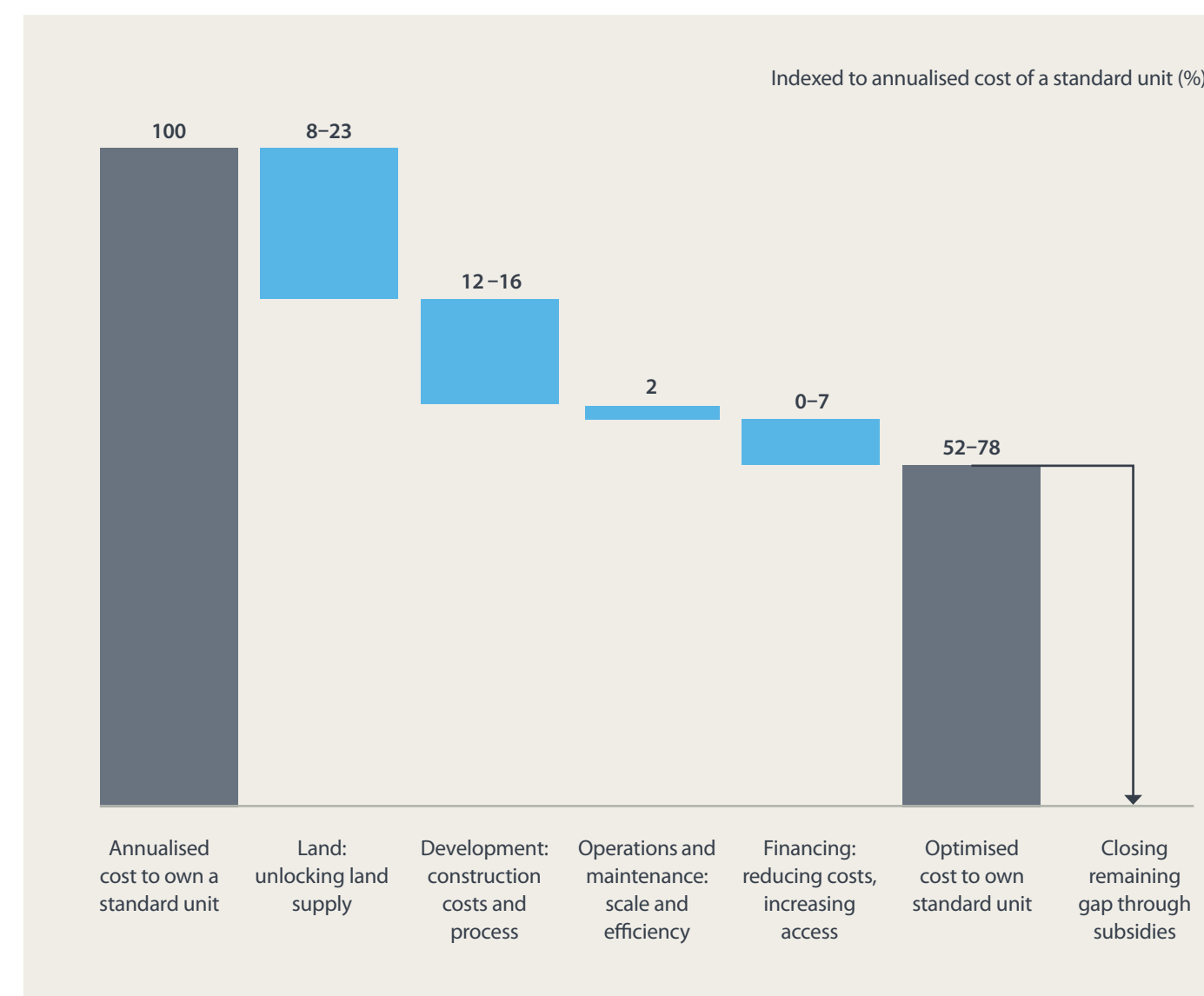
These measures promote investor confidence and give the housing associations the stability for long-term planning.[49]

The Housing Finance Corporation (THFC) in the UK demonstrates the successful role an aggregator can play in stimulating social and affordable housing finance. The THFC is the foremost aggregating funder to UK housing associations. It has held an A+ credit rating since 2003[37] and, at 31 March 2015, had outstanding loans exceeding £4.15bn in value.[38] As an example of its success, between January 2011 and January 2013, the THFC secured close to £500m in funding (at an average tranche size of £99.3m) for smaller-scale housing associations at spreads of between 99 and 205 basis points (bps) above governmen initiative called *Renewing our Streets and Suburbs*. This progra t bonds, constituting more than 10% of all public UK housing bond issues in that period. These spreads are less than half those typically incurred by Australian CHPs at present for their debt funding.

The McKinsey Global Institute[36] researched 2,400 major cities around the world to develop a suite of options available to policymakers and practitioners to reduce the carrying cost of affordable dwellings. These translate to more affordable rent for people on lower incomes.

CHART 2: POTENTIAL INPUT COST SAVINGS TO IMPROVE HOUSING AFFORDABILITY

Indexed to annualised cost of a standard unit (%)

100	Annualised cost to own a standard unit
8–23	Land: unlocking land supply
12–16	Development: construction costs and process
2	Operations and maintenance: scale and efficiency
0–7	Financing: reducing costs, increasing access
52–78	Optimised cost to own standard unit
	Closing remaining gap through subsidies

The above chart highlights that without any concessions on input costs on a standard, commercial housing project the economics do not support or incentivise the inclusion of social or affordable houses, at scale, given the sub-market yields associated with such stock. To generate an appropriate risk-adjusted return to attract private capital, one or more of the above levers needs to be used.

2. APPROPRIATE SUPPORT SERVICES TO HELP PEOPLE MAINTAIN TENANCIES AND IMPROVE THEIR QUALITY OF LIFE

The availability of adequate and appropriate housing stock is the starting point, not the end point, for achieving SVA's vision for improved housing outcomes. For those in need of stable and affordable housing, it is also necessary to provide holistic and integrated support services focusing on other aspects of people's lives such as education, pre-employment training, mental health issues, drug and alcohol problems, and/or domestic and family violence.

2.1. FOCUS ON PREVENTION AND EARLY INTERVENTION

Resources and investment should be targeted at preventive and early intervention support. This is beneficial to those in need and economically beneficial to governments and society at large.

This approach is particularly true for specific cohorts of people such as young people who are homeless and who are more likely to suffer chronic homelessness later in life. Early intervention is essential to prevent them becoming 'entrenched' in the homeless service system.[50] More than half of those under the age of 25 receiving homeless services slept rough at least once before they turned 18.[51]

Evidence clearly shows the increased cost to government of trying to solve, rather than prevent, homelessness. For example, the cost to government of providing health and justice services to homeless men is 10 times, or $22,080, greater than that observed for the population in general. Generally, homeless people are high users of government non-homelessness services (e.g. health, justice and welfare), with the mean costs of those services ranging from $18,201 to $44,147 per client per year.[52]

Preventing homelessness means addressing the underlying causal factors. The most cited reason for seeking help from specialist homelessness services has consistently been domestic and family violence, so efforts to reduce this are essential. Similarly, the provision of safe, adequate and affordable housing in the right locations (including through adequate rent subsidies) will be a preventive measure for some housing issues, particularly in relation to severe overcrowding.[53]

It also means identifying, and directing support to, groups at risk. Research has pinpointed circumstances that put a person at particularly high risk of homelessness, such as leaving state out-of-home care or correctional institutions, especially where the person has spent 12 months or more in that institution.[54]

Successful early-intervention programs include those targeting people with mental illness (the *Housing and Accommodation Support Initiative and Resolve*), domestic violence (*Staying Home Leaving Violence*), and young people experiencing family breakdown (*Reconnect*).

2.2. INTEGRATED SUPPORT SERVICES

Those most likely to experience housing insecurity often have complex and multiple support needs that are not supported under Australia's fragmented system.

It is very difficult for people to maintain a tenancy and move along the housing continuum when issues such as violence, substance abuse or limited education or skills are involved. People who are in unstable accommodation or experiencing homelessness are more likely to be drug and alcohol users, to be involved in crime and experience mental illness, and be less likely to have gone beyond year 10 at school or be employed.[55] Yet at present, support services for homelessness, mental health and drug and alcohol abuse all operate as separate sectors.[56] A survey by AHURI found the barriers clients faced included long waiting lists, lack of knowledge of how to obtain a service, difficulty in negotiating the system, limited access to transport, and lack of coordination of services.[57] Integrated services ensure access to these services with minimal barriers. This can be achieved through brokerage services and integrated case management to help coordinate all that is available for an individual or family.

A successful example of this 'wrap-around' approach is Mission Australia's *MISHA* project. It provided people experiencing chronic homelessness in the Parramatta region of Sydney with immediate access to long-term, stable accommodation and support that included assertive case management, tenancy and brokerage support, psychological services and an activities program.[58] Two years later, 89% of the clients were still sustainably housed.[59]

Two other supportive housing models are *Common Ground* and *Youth Foyer*. Their core premise is the provision of stable, affordable accommodation with on-site support services and life skills training for people who are homeless or at risk of homelessness. The Foyer model is expressly focused on improving young people's access to education, training or employment.[60]

More than 135 Foyers have been set up in the UK and others are planned in Europe and the US.[61] One evaluation found that across all UK Foyers, an average of 65% of people were in part or full-time education or employment (36% and 25% respectively), with 25% having gained their first qualification during their stay at the Foyer.[62] Another found that six months after leaving the Foyer, 44% of former residents were working part or full time, and 17% were in education.[63] Exit data from the Chelsea Foyer in the US shows that of the 52 young people who left the program between 2007 and 2009, 75% were employed at the time of discharge.[64]

2.3. PARTNERSHIPS AND COLLABORATIONS ACROSS THE PUBLIC, NOT-FOR-PROFIT AND PRIVATE SECTORS

Participants in the social and affordable housing sector often speak of the need for a whole-of-government response. While we agree with this, we believe there is a need for a 'whole-of-society' approach to genuinely fix this complex problem. A whole-of-society approach means partnerships and collaborations between and within all sectors of society: the public sector (governments at federal, state and local level); the not-for-profit sector (housing providers, support service providers and other community organisations); and the private sector (institutional investors, including banks and superannuation funds, along with developers and the building industry)

The roles of housing providers and support service providers in all sectors are often separated to ensure there are no conflicts of interest in tenancy management (and the collection of rents) and the provision of support services. It is our view that when housing and support service providers are aligned in their objectives and coordinate their approach, individuals and families are more effectively supported.

Mission Australia's *Inner City Drift Project* (ICDP) in Sydney shows that agency coordination can prevent people moving further towards the crisis end of the services system and, at the same time, maintain links within their communities. The project addressed the drift of people from greater western Sydney, where support services were fewer and more fragmented, to the inner city. Such movement increases pressure on inner-city services and dislocates people from their local areas. The ICDP had 'filled a gap in the service system' and improved its capacity to respond to the needs of clients in greater western Sydney while preventing an overflow into the inner-city service system.[65]

2.4. DATA-DRIVEN APPROACH: A FOCUS ON MEASUREMENT AND EVALUATION OF OUTCOMES

Evidence of what works and what does not is necessary to ensure the most effective allocation of resources towards support services that have the greatest impact. Although program evaluations are useful, there are three key problems with the current approach to data collection. Specifically it:

- Is not focused on measuring client outcomes, as opposed to service outputs;
- Varies from state to state; and
- Is fragmented between government and non-government agencies.

Without addressing these problems, it will not be possible to develop the integrated, whole-of-society, evidence-based approach necessary to effectively and sustainably address the housing issue.

The benefits of a data-driven approach are that it enables people and programs to do more of what works, and stop doing what does not. This produces a better return on investment for all stakeholders and, ultimately, improved results for those most in need. There are extra benefits in a data-driven approach: appropriately framed outcomes can provide a common direction and focus, transparency and client-focused accountability, and consistency across the sector (particularly important in housing and homelessness, given the number of players involved).[66]

National data collection is mandated for specialist homelessness services through the Australian Institute of Health and Welfare and, while this provides important information about service usage, it does not track outcomes for clients and is difficult to reconcile with ABS data on homelessness. Improvements to this collection, along with better government data (such as reform of the mandated data fields in the NSW Specialist Homelessness Services), could provide a basis for outcomes-based measures of service effectiveness and a pathway to outcomes-based service agreements.

Governments can help developers determine the level of demand for different types of housing by sharing data. For example, the NSW government now publishes waiting times for public housing by local area and number of dwellings, broken down by number of bedrooms. The allocation of resources should be based on need and emerging groups at risk (by cohort and geography). This was tried through the NSW government's *Resource Allocation Model*. With better information, funding and homeless services clients could be directed to effective programs and supports. Linking information between tenancy databases with service provision databases across government and CHPs could identify high-risk clients and pockets of best practice in service delivery. More longitudinal studies such as the *Journeys Home* research should provide greater rigour to resource and service allocation.

3. EFFECTIVE TRANSITIONAL PATHWAYS TO PROVIDE OPPORTUNITIES FOR PEOPLE TO MOVE ALONG THE CONTINUUM

A housing continuum exists for all Australians, as outlined in the following diagram:

| Homelessness | Crisis/refuge | Transitional housing | Social housing | Affordable housing | Private rental | Shared equity | Purchase |

For some, movement along the continuum will be an aspiration, which should be encouraged and enabled where possible. But for those who have no, or insecure or unsafe, housing, overcoming this becomes the imperative. At present, this movement is not possible and or sustainable for many low-income earners due to:
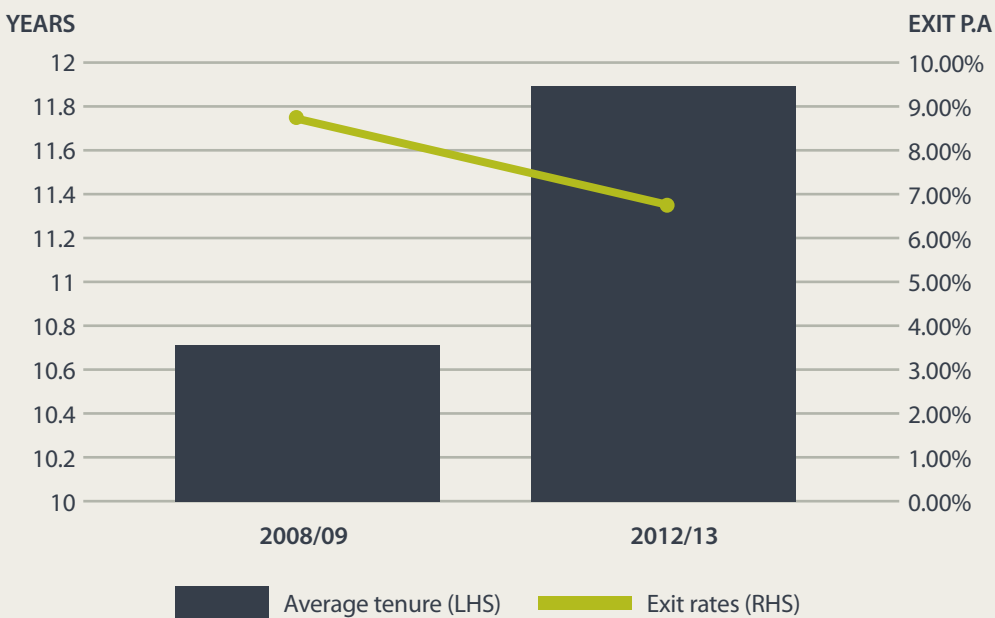
- The shortage of affordable and appropriate housing stock at multiple stages of the continuum.
- Lack of opportunity and incentives to move along the continuum.
- Subsidies not designed to support transitions and which sometimes create perverse incentives not to move.
- Large disparities in cost at different points on the continuum make it impossible to move without a significant rise in income.
- Inadequate support services for people to maintain tenancies and improve their quality of life.

Improved system and service design to support transitions at various points can, over time, reduce pressure on social housing waiting lists and help prevent people becoming homeless.

At present there is very limited opportunity for transition:

- More than one in three public housing tenants have been in the same tenancy for more than a decade.[67]
- Exit rates for public housing tenants were 7% in 2012-13 (see chart).[68]
- More than 50% of all public tenants in 2012-13 had lived in their housing for 10 years or more.[69]
- Average tenure for a NSW social housing tenant was 11.9 years in 2012-13, up from 10.7 years in 2008-09.[70]
- Vacancies caused by voluntary tenant-initiated exits represent about 5% of all public housing stock.[71]

TRANSITION RATES IN NSW PUBLIC HOUSING

YEARS		EXIT P.A
12		10.00%
11.8		9.00%
11.6		8.00%
11.4		7.00%
11.2		6.00%
11		5.00%
10.8		4.00%
10.6		3.00%
10.4		2.00%
10.2		1.00%
10		0.00%
	2008/09 2012/13	

Average tenure (LHS)   Exit rates (RHS)

Source: Australian Institute of Health and Welfare 2014. Housing assistance in Australia 2014. Cat. No. HOU 275. Canberra: AIHW.

Only a small number of tenants intend to exit in the coming years. A small but substantial minority (13%) intend exiting social housing within a couple of years. Transition among this small cohort is often varied – 56% of those who have left public housing moved to private rental while 37% bought their home.[72]

3.1. IDENTIFYING SUITABLE COHORTS

Not every individual or family within the bottom 40% income bracket is willing (or able) to transition along the housing continuum. Similarly, not everyone will be in a position to sustain a transition. The social housing sector has a high rate of unsustainable exits – tenants who have left and returned later. Some people will achieve better outcomes in long-term supported accommodation.

Identification of appropriate groups is the first step to an effective transition program and it needs to be backed up with information, support and pathways to enable tenants to transition when appropriate – and the removal of barriers and disincentives to their doing so. There is significant evidence to help identify suitable cohorts for transition.

Young people moving from school to further training and employment are a logical group to support. Similarly, women and children fleeing domestic violence, with programs showing they have been able to move into the private rental market when work patterns are re-established and their financial situation improves. Preventing people moving down the continuum can also be important. The *Staying Home Leaving Violence* program, which aims to keep women and children experiencing domestic violence in their homes and remove the perpetrators, has reduced the need for crisis accommodation in those instances.

In addition, partnerships between the public, not-for-profit and private sectors, could help identify other tenants. For example, social housing landlords or 'first to know' agencies could refer not only those at risk of homelessness but also those who have expressed an interest in leaving social housing, to the appropriate service provider.

3.2. APPROPRIATE INCENTIVES TO ENCOURAGE TRANSITIONS

To encourage people to move along the continuum, the right incentives are required. The present system sets up barriers or disincentives to transition in two critical areas:

1. Affordability: policies including effective marginal tax rates and rates of income support (such as CRA and Newstart) can leave an individual or family worse off than if they had retained their original arrangement.

2. Security of tenure: some arrangements pose a much greater risk of eviction or of landlords changing tenancy terms.[73] Private rental is often less secure than social housing.

For people wanting to enter the private rental market, there are more immediate barriers, such as lack of rental references, insufficient funds to pay for bond and advance rent, and the costs of relocating.

Removal of disincentives

Government policies need to reduce effective marginal tax rates that discourage transition. Tenants need to be able to maintain security of tenure in their home and subsidies need to alter as their income increases so they do not have to change physical location as they are moving up the housing continuum. The US system allows a scaled housing provider to offset a change in a subsidy for one tenant with the addition of a different tenant in another building, with a zero net effect on the provider's income and no displacement of the existing tenant.

Exit and entry support

For private rentals, governments can provide interest-free loans for part or all of the bond and advance rent, tenancy guarantees to cover potential future rent arrears or property damage above the rental bond, and relocation assistance.[74] Most state-sponsored programs provide these but exit and entry support of this kind should be applied consistently and nationally.

Availability of affordable and appropriate housing stock to which to transition

Motivations to transition are a mixture of push and pull factors. They include housing and neighbourhood-related factors, where people want to move out of an area or housing that they deem unsuitable or undesirable (push factor), and where people are seeking to live closer to or with a partner, family member or friend (pull factors).

We have discussed the negative characteristics of much of the existing social and affordable housing stock, such as its age, size and location. These increase the likely influence of push factors but also the likelihood of unsustainable exits where tenants move when they are not wanting or prepared to do so. Improving the quality and appropriateness of social housing can minimise unsustainable transitions and increase the chances of sustainable ones.

WITHIN A FINANCIALLY SUSTAINABLE SYSTEM

Governments, CHPs, community organisations and private companies have complementary roles in tackling the housing challenge. While governments provide a safety net, the location, age and size of government-owned stock limits the opportunities to address the broader need. Subsidies could also be used more effectively in some parts of the system.

The mix of long-term housing available to low-income earners – public housing, community housing and subsidised private rental – is sub-optimal because it imposes an unsustainable financial burden on governments and does not maximise the advantages of non-government providers to achieve the best outcomes for tenants.

CHPs have some distinct advantages compared to government as landlord and/or property and tenancy manager of housing stock. They have the capacity and capability to:

*   Leverage private finance to generate new supply.
*   Offer a more strategic focus on portfolio management than a government can, which improves efficiency and services for tenants.

*   Provide housing that is financially viable because rent assistance is available for community housing tenants, but not to state government public housing tenants, which allows them to charge rent at closer to market rates (though this is being scrutinised by state and Commonwealth governments).
*   Bring innovation and private sector expertise to the market.[42]

The severity of the shortage, the difficulties governments face in owning and managing properties, and the advantages of CHPs mean that increasing the mix of CHP ownership and management is a practical and high-potential way to create stable and appropriate accommodation with wrap-around support and transitional opportunities for low-income earners.

Youth Foyer (NSW)

*   SVA and our partners Uniting and SGCH are currently negotiating a $6m SIB with the NSW government focusing on vulnerable young people exiting out-of-home care through a Youth Foyer program.
*   The Youth Foyer model has a strong focus on transition for young people (after an 18-month support period) to stable tenancies underpinned by education and employment.

References

1. ABS, 4130.0 - Housing Occupancy and Costs, 2013-14, accessed at http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/4130.0~2013-14~Main%20Features~Housing%20Occupancy%20and%20Utilisation~4.

2. Yates, J., Milligan, V. (2007) *Housing affordability: a 21st century problem*, AHURI Final Report No. 105, Australian Housing and Urban Research Institute Limited, Melbourne, p9.

3. Stone, W., Sharam, A., Wiesel, I., Ralston, L., Markkanen, S. and James, A. (2015) *Accessing and sustaining private rental tenancies: critical life events, housing shocks and insurances*, AHURI Final Report No. 259. Melbourne: Australian Housing and Urban Research Institute Limited, p5.

4. Australian Institute of Health and Welfare 2014. Housing assistance in Australia 2014. Cat. no. HOU 275. Canberra: AIHW, p23.

5. Ibid page 27

6. Ibid.

7. Australian Institute of Health and Welfare 2015. Australia's welfare 2015. Australia's welfare series no. 12. Cat. no. AUS 189. Canberra: AIHW, pp331-2. See also Stone, W., Sharam, A., Wiesel, I., Ralston, L., Markkanen, S. and James, A. (2015) *Accessing and sustaining private rental tenancies: critical life events, housing shocks and insurances*, AHURI Final Report No.259. Melbourne: Australian Housing and Urban Research Institute Limited, p66.

8. Australian Bureau of Statistics, 'Census of Population and Housing: estimating homelessness, 2011', November 2012

9. ABS, Information paper – A Statistical Definition of Homelessness, 2012, 4922.0, p11, 13, accessed at http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/B4B1A5BC17CEDBC9CA257A6E00186823/$File/49220_2012.pdf.

10. Hulse, K., Reynolds, M. and Yates, J. (2014) *Changes in the supply of affordable housing in the private rental sector for lower income households*, 2006–11, AHURI Final Report No. 235, Australian Housing and Urban Research Institute Limited, Melbourne, p2.

11. NHSC (National Housing Supply Council) 2012, *Housing Supply and Affordability - Key Indicators* 2012, Commonwealth of Australia, Canberra, pp45, accessed at http://www.treasury.gov.au/~/media/Treasury/Publications%20and%20Media/Publications/2012/NHSC/Downloads/PDF/housing_supply_affordability_report.ashx.

12. Australian Institute of Health and Welfare 2014. Housing assistance in Australia 2014. Cat. No. HOU 275. Canberra: AIHW, p68.

13. Ibid page 69

14. See Australian Government, Homelessness Implementation Plan https://www.dss.gov.au/sites/default/files/documents/05_2012/homelessness_indigenous.pdf.

15. KPMG (2012) Social Housing Initiative review, Report for the Housing Ministers Advisory Committee, Executive Summary.

16. Ibid.

17. Nicholas Pleace, Dennis P Culhane, Riitta Granfelt and Marcus Knutagard. *The Finnish Homelessness Strategy: An International Review* (2015), p24 https://helda.helsinki.fi/bitstream/handle/10138/153258/YMra_3en_2015.pdf?sequence

18. Ibid.

19. Ibid.

20. Australian Institute of Health and Welfare 2014. Housing assistance in Australia 2014. Cat. No. HOU 275. Canberra: AIHW.

21. Milligan, V., Yates, J., Wiesel, I. and Pawson, H. (2013) *Financing rental housing through institutional investment—Volume 1*, AHURI Final Report No. 202, Australian Housing and Urban Research Institute Limited, Melbourne, p28.

22. See footnote 20

23. Wiesel, I., Habibis, D. (2015) NDIS, *housing assistance and choice and control for people with disability*, AHURI Final Report No. 258, Australian Housing and Urban Research Institute Limited, Melbourne, p7.

24.

25. New South Wales Parliament Legislative Council Select Committee on Social, Public and Affordable Housing, *Social, public and affordable housing* (2014) p175. http://www.parliament.nsw.gov.au/prod/parlment/committee.nsf/0/12b4da4578015782ca257d4d00120ffe/$FILE/Report%20on%20Social,%20public%20and%20affordable%20housing%20-%20September%202014.pdf.

26. Ibid.

27. NSW Government, FACS. Social Housing in NSW: A discussion paper for input and comment, p15.

28. Australians for Affordable Housing, *Opening doors to employment: Is housing affordability hindering jobseekers?* http://housingstressed.org.au/wp-content/uploads/2011/09/Opening-doors-to-employment-2013.pdf

29. Luci Ellis, *Space and Stability: Some Reflections on the Housing–Finance System*, Address to the CITI Residential Housing Conference, Sydney Sydney – 15 May 2014 http://www.rba.gov.au/speeches/2014/sp-so-150514.html.

30. 2015 Anglicare Australia Rental Affordability Snapshot, p5.

31. New South Wales Parliament Legislative Council Select Committee on Social, Public and Affordable Housing, *Social, public and affordable housing* (2014) http://www.parliament.nsw.gov.au/prod/parlment/committee.nsf/0/12b4da4578015782ca257d4d00120ffe/$FILE/Report%20on%20Social,%20public%20and%20affordable%20housing%20-%20September%202014.pdf

32. See Vinson, T., Rawsthorne, M., Beavis, A., Ericson, M. (2015). Dropping off the Edge 2015: *Persistent communal disadvantage in Australia* (DOTE 2015), (pp. 6 - 148). Curtin, ACT, Australia: Jesuit Social Services / Catholic Social Services Australia; T, Burke., K, Hulse. (2015) *Spatial disadvantage: why is Australia different?*, AHURI Research Paper No. - Essay, Australian Housing and Urban Research Institute Limited, Melbourne.

33. Vinson, T., Rawsthorne, M., Beavis, A., Ericson, M. (2015). Dropping off the Edge 2015: Persistent communal disadvantage in Australia (DOTE 2015), (pp. 6 - 148). Curtin, ACT, Australia: Jesuit Social Services / Catholic Social Services Australia, p9.

34. City of Sydney submission to the Senate Standing Committee on Economics Inquiry into Affordable Housing (2014), p19; http://elephantandcastle.org.uk/pages/regeneration_change/202/elephant_castle.html; http://www.peabody.org.uk/news-views/2015/jul/devons-road

35. http://www.housing.nsw.gov.au/social-housing/redevelopment/riverwood-north-urban-renewal-project; New South Wales Parliament Legislative Council Select Committee on Social, Public and Affordable Housing, *Social, public and affordable housing* (2014), p175
Further supported by the Community Reinvestment Act which requires deposit taking institutions to reinvest a portion of funds back in the communities from which the funds came.

36. See Milligan, V., Yates, J., Wiesel, I. and Pawson, H. (2013) *Financing rental housing through institutional investment—Volume 1*, AHURI Final Report No. 202, Australian Housing and Urban Research Institute Limited, Melbourne, p26; NRAS Providers Ltd (NPL) Submission to Senate Standing Committees on Economics Inquiry Into Affordable Housing.

37. McKinsey Global Institute, *A blueprint for addressing the global affordable housing challenge*, October 2014

38. THFC Annual Report for year ending 31 March 2015: http://www.thfcorp.com/accounts/2015/THFC%20Ltd%202015.pdf

39. Ibid.

40. NSW Government, FACS. Social Housing in NSW: A discussion paper for input and comment, pp36-7.

41. Ibid.

42. Ibid.

43. Pawson, H., Milligan, V., Wiesel, I. and Hulse, K. (2013) *Public housing transfers: past, present and prospective*, AHURI Final Report No.215. Melbourne: Australian Housing and Urban Research Institute, pp2-3.

44. Australian Government, *Reform of the Federation White Paper: Roles and Responsibilities in Housing and Homelessness*, Issues Paper 2, 2014.

45. Ibid.

46. National Provider Register, http://www.nrsch.gov.au/national_register.

47. Heywood, A, *Investing in Social Change: A Guide to the Development of the Affordable Housing Sector* (The Housing Finance Corporation), p9.

48. Ibid.

49. Ibid.

50. Ibid.

51. NSW Department of Family and Community Services, Homelessness Action Plan Evaluation Strategy Evidence Note No. 5 http://www.housing.nsw.gov.au/__data/assets/pdf_file/0003/325488/EvidencenoteNo5.pdf

52. P Flatau, M Thielking, D MacKenzie, A Steen (2015) *The cost of youth homelessness in Australia study: snapshot report 1*, Swinburne University of Technology, p7.

53. Ibid.

54. See Johnson, G. et al. (2010) *Pathways from out-of-home care*, AHURI Final Report No.147. Melbourne: Australian Housing and Urban Research Institute. http://melbourneinstitute.com/journeys_home/assets/pubs/2015/Scutella%20et%20al%20Journeys%20Home%20Research%20Report%20W6.pdf

55. Bruce, J., McDermott, S., Ramia, I., Bullen, J. and Fisher, K.R. (2012), *Evaluation of the Housing and Accommodation Support Initiative* (HASI) Final Report, for NSW Health and Housing NSW, Social Policy Research Centre Report, Sydney;
Barker, J., Humphries, P., McArthur, M., & Thomson, L. (2012). *Literature Review: Effective interventions for young people who are homeless or at risk of homelessness*. Canberra: Australian Government Department of Families, Housing, Community Services and Indigenous Affairs;
Barker, J., Humphries, P., McArthur, M., & Thomson, L. (2012). *Reconnect: Working with young people who are homeless or at risk of homelessness*. Canberra: Australian Government Department of Families, Housing, Community Services and Indigenous Affairs.

56. Australian Institute of Health and Welfare 2015. Australia's welfare 2015. Australia's welfare series no. 12. Cat. no. AUS 189. Canberra: AIHW, p332.

57. Flatau, P., et al. (2013) *How integrated are homelessness, mental health and drug and alcohol services in Australia?* AHURI Final Report No.206. Melbourne: Australian Housing and Urban Research Institute, p1.

58. Ibid.

59. Mission Australia, *Homelessness Policy 2015*

60. Mission Australia, *From Homelessness to Sustained Housing: MISHA Research Report* 2010-2013, p31.

61. Department of Families, Housing, Community Services and Indigenous Affairs, *Literature Review: Effective interventions for working with young people who are homeless or at risk of homelessness*, p22

62. Chesterton, D. chair of UK Foyer Federation, Presentation on youth foyers, September 2009.

63. Lovatt R. and Whitehead, C. *Launch pad for life: an assessment of the role of foyers in housing association provision*, July 2006. p. 41

64. Smith, J. et al, *What Happened Next? A report on ex-residents of Foyers*, July 2006.

65. Common Ground Community, Good Shepherd Services, *The Chelsea Foyer at the Christopher at Five Years: Lessons in Developing Stable Housing and Self-Sufficiency For Homeless Youth and Youth Exiting Foster Care*, October 2009, p33.

66. Mission Australia, Evaluation of the Inner City Drift Project Final Report – March 2015, pp8-11.

67. AHURI, *What makes a difference? Building a foundation for nationally consistent outcome measures* (June 2011), ch 3.

68. Australian Institute of Health and Welfare 2014. Housing assistance in Australia 2014. Cat. No. HOU 275. Canberra: AIHW, p41.

69. Ibid, p42.

70. NSW Government, FACS. Social Housing in NSW: A discussion paper for input and comment.

71. Ibid.

72. Wiesel, I. Pawson, H. Stone, W. Herath, S and McNelis, S. (2014) *Social housing exits: incidence, motivations and consequences*, AHURI Final Report No. 229, Melbourne: Australian Housing and Urban Research Institute.

73. Ibid.

74. Ibid.

75. Stone, W., Sharam, A., Wiesel, I., Ralston, L., Markkanen, S. and James, A. (2015) *Accessing and sustaining private rental tenancies: critical life events, housing shocks and insurances*, AHURI Final Report No.259. Melbourne: Australian Housing and Urban Research Institute Limited, p14.

PHOTO CREDITS

Cover page: Sustain Housing. Photographer, Michael Chin.
Page 2: Sustain Housing. Photographer, Michael Chin.
Page 4: Stock photo.
Page 7: Sustain Housing. Photographer, Michael Chin.
Page 8: Stock photo.
Page 10: Stock photo.
Page 15: Sustain Housing. Photographer, Michael Chin.
Page 16: Sustain Housing. Photographer, Michael Chin.
Page 18: STREAT.
Page 20: The Integrated Medical Centre. Photographer, Simon Conlon.
Page 23: Stock photo.
Page 25: Stock photo.