



Family &
Community
Services

Thinking about the future: Social Housing in NSW

Report from the Social Housing in NSW Forum



July 2015

Minister's foreword

On 25 May this year I welcomed nearly 200 participants to a Discussion Forum focusing on the future of social housing in NSW.

The forum brought together a community and business coalition of individuals intent on delivering better outcomes for people who require social housing and better use of the State's \$35 billion social housing portfolio.

I was impressed with the enthusiasm which attendees had for their task and the way issues were tackled. Representatives from finance, community housing, social enterprise, social welfare, disability, aged care/retirement living and property development exchanged their decades of knowledge and innovative ideas.

At the forum I also took the opportunity to release a report on recent extensive public consultation involving more than 1,700 participants and more than 900 written submissions: *What we heard: A summary of feedback on the Social Housing in NSW Discussion Paper*.

Both the discussion paper and the input from attendees at the forum will underpin the Government's development of policy to address the increasing demands in social housing in NSW.

The forum was co-chaired by former Premiers the Hon. Nick Greiner AC and the Hon. Morris Iemma showing that the challenges confronting NSW and the need for sustainable social housing is above party politics.

In the first part of the forum, participants worked in groups to develop responses to five critical questions:

What outcomes should social housing seek to achieve?

What measures or incentives should be available to transition tenants from social housing to affordable housing or the private rental market?

If additional Government funding was not available to build more social and affordable housing, what options (financing and others) should be explored?

What funding models have worked in other industries that may be worth trying in social housing (eg health or corrective services)?

Looking at a whole-of-NSW-Government response, what else can we do to address supply and affordability?

Following this, a panel of industry leaders reflected on the ideas generated by the discussion groups and proposed additional ideas to the forum participants. The Panel comprised:

- The Hon. Nick Greiner, AC – Former Premier of NSW
- The Hon. Morris Iemma – Former Premier of NSW
- Tracy Howe – Council of Social Service of NSW (NCOSS)

- Sarah Hill – Adjunct Professor at the University of Technology Sydney (UTS) and Hill PDA Consulting
- Wendy Hayhurst – NSW Federation of Housing Associations
- Brendan Lyon – Infrastructure Partnerships Australia

This report summarises the outcomes of the facilitated group discussions and provides an overview of some of the key ideas the panel put forward.

We will now be working with a range of individuals and groups to develop the policies to take us forward.



Brad Hazzard

Minister for Family and Community Services
Minister for Social Housing



1

Critical questions for the future. What outcomes should social housing seek to achieve?

In response to this question, participants of the Discussion Forum identified a range of measures and characteristics they felt would support a stronger, more sustainable social housing system. Through facilitated group discussion, participants identified their top outcomes for the social housing system in NSW.

“We need to think about how we change the public discourse to help people understand that all people deserve to have housing.”
Forum participant.

Forum participants want a social housing system that provides people with secure and stable housing. It was suggested by participants that this could be achieved by:

- Reconfiguring the system to improve financial sustainability. Participants felt that the social housing system should be underpinned by a mixed-tenure and mixed-income model, supported by both public and private investment.
- Increasing the supply of social and affordable housing with a push to boost the supply of housing to manage existing and projected demand. We heard there is a need to “make social housing integral to urban growth”.
- Ensuring security of tenure and stability. It was noted by participants that these factors support quality of life; provide a platform for people to take up education and employment options; and facilitate a transition from social housing to affordable housing or tenancy in the private rental market.
- Providing fair access to social housing for those who need it. It was noted that the NSW Government needs to determine whether it is seeking to support primarily the most disadvantaged within our communities, or whether it has a broader remit to provide universal access to housing support for low-moderate income earners.

“Anyone in the community that we serve is only one step away from us. This is about a community response. This is about everyone. I might need social housing one day. You just don’t know.” Tracy Howe, NCOSS

Forum participants want a social housing system that breaks the cycle of disadvantage. It was suggested by participants that this could be achieved by:

- Strengthening social support services and people’s access to those services through appropriate and targeted wrap-around services.
- Addressing the specific needs of children and young people through appropriate supports and diversionary programs for families before they enter social housing; and providing better education and employment support and pathways to improve outcomes for children and young people living in social housing.

“We need to listen to some younger people: they are interested in different models of housing and I think these should be explored further.”
Sarah Hill, UTS/Hill PDA Consulting.

Forum participants want a social housing system that focuses on people. It was suggested by participants that this could be achieved by:

- Addressing the stigma associated with residing in social and public housing. In particular, the language we use to talk about social housing and the people who access housing support needs to become more positive.
- Providing housing options and solutions that offer a good fit for each individual, and that provide choice for tenants. It was noted by the participants that the system should, for example, allow older people to age in place safely and with support, and support people with a disability to stay in their homes.

“In your future deliberations and decisions, do not forget Aboriginal people and providers. Be bold. Aboriginal community housing providers want reform and bold targets.” Forum participant.

Forum participants want a social housing system that offers positive pathways out of social housing. It was suggested by participants that this could be achieved by:

- Building a system that empowers people. It was felt that building a system that provides positive pathways will encourage and assist people to build skills while they live in social housing; participate positively in the community; improve their wellbeing; and to live with as much independence as possible.
- Providing pathways for those who are most able to move on to other housing options such as affordable housing or a tenancy in the private rental market, while recognising and supporting tenants who have medium-to-long-term support needs.

“We need livable places to learn and earn.” Forum participant.

Forum participants want a social housing system that grows diverse communities that are safe and respectful. It was suggested by participants that this could be achieved by:

- Managing tenant relationships with respect. Including improving the way the Government communicates and engages with tenants, both on everyday matters and on bigger issues like redevelopment projects or potential relocations.
- Improving the security and safety in communities by tackling anti-social behaviour. It was noted by participants that this contributes to building a stronger sense of place and ownership within communities that include social housing properties.

“I represented an area for nearly 20 years that included Riverwood. Public housing tenants wanted out of Riverwood because of crime, drugs, violence and social dysfunction. However, when I left politics the community had been transformed through a decrease in crime and social dysfunction. Only part of the estate has been done...you cannot identify which is social and which is private housing by looking at the buildings.”

The Hon. Morris Iemma, former Premier.



2

What measures or incentives should be available to transition tenants from social housing to affordable housing or the private rental market?

While participants of the Discussion Forum recognised that there will always be tenants who need social housing in the long-term, they also identified factors within the social housing system and the broader housing market that do not encourage those with the ability to move into alternative housing to do so.

Participants emphasised the importance of the Government to address the relative lack of security in the private rental market; to consider more flexible options in response to tenants' changing circumstances; and to review potential inbuilt 'disincentives' in the current rent model.

“Keeping people who get work makes the social mix. So it’s not necessarily good to make them move. An option to keep them while moving them on would be sales to tenants. This can help with enough money to reinvest in more dwellings. So it’s win-win.” Forum participant.

Participants of the Discussion Forum want the NSW Government to consider alternative appropriate housing and products for clients. This may include:

- Shared equity products that enable tenants to gain employment, stay in place, potentially become home owners, or 'cash out' their equity if they transition into alternative housing.
- Equity incentives linked to participation. For instance, this may include granting people equity if they achieve employment, educational, or participation outcomes.

Participants of the Discussion Forum want the NSW Government to consider low or no-interest deposit home loans. Participants also discussed other options, including:

- Rental rebates or subsidies for tenants who are trying to transition out of social housing to support ongoing security of tenure in the private rental market. The NSW Government (as the funder not the property owner) could provide a changing subsidy, rather than tenants having to move.
- Using mechanisms to transition tenants that have already been proved effective, such as transitional housing models.
- Reclassifying tenancies as people's circumstances change (eg from social to affordable housing and potentially to private rental).
- Transferring title to community housing providers and Aboriginal community housing providers, to enable organisations to upscale.
- Increasing housing supply and choice, to ensure that affordable and private rental housing is a realistic option. Specific suggestions from participants included:
 - ◆ Using planning levers and mandating inclusionary zoning.
 - ◆ Transferring title to not-for-profit developers to increase the supply of housing stock via the not-for-profit sector.
 - ◆ Increasing the availability of private rental properties by paying subsidies and incentives to property owners.
 - ◆ Increasing institutional investment in affordable housing (eg by superannuation funds).

“There is a lot more the [community housing] sector could do if a whole-of-government plan was in place...we want a government that is a champion for affordable housing.” Wendy Hayhurst, NSW Federation of Housing Associations.

Participants of the Discussion Forum want the NSW Government to consider appropriate opportunities and supports for clients. It was noted that this may be achievable by:

- Providing a range of opportunities and pathways to education, training and employment for young people and others – for instance, through partnerships with TAFE, the private sector and local government. Opportunities could include:
 - ◆ Financial literacy education.
 - ◆ Courses linked to specific employment opportunities or growth industries.
 - ◆ Sponsorships, scholarships and job opportunities.
 - ◆ Foyer models for young people, that combine accommodation with on-site support services and have a strong emphasis on education, training and/or employment.
- Addressing complex tenant needs through more efficient and effective wrap-around products and multi-agency support for people in social housing. Improved support can be provided through case management and coordinated services for young people, older people, people with mental health issues and others with complex needs.

“Give people the opportunities to earn and learn and get their first job.”
Forum participant.

Participants of the forum also felt that ‘disincentives’ within the system could be replaced with incentives. It was suggested by participants that this could be achieved by:

- Uncoupling income from rent as this can act as a ‘disincentive’ for tenants to gain employment or earn more.
- Improving the safety net to manage risks for those moving into affordable housing or the private rental market. For instance, a time-limited safety net would make it easier for people to re-enter the social housing system “if things don’t work out”.
- Ensuring ‘post-exit supports’ are in place to help tenants who transition out of social housing to sustain their tenancies.
- Facilitating long-term leases in the private rental market, as the lack of secure tenure (offered by 6 or 12 month leases) acts as a disincentive to transition out of social housing.



3

If additional Government funding was not available to build more social and affordable housing, what options (financing and others) should be explored?

Participants of the Discussion Forum discussed a range of options to facilitate the construction and provision of more social and affordable housing in NSW.

“The problem is entirely fixable. However, it’s a difficult discussion to have because it requires a sustained level of change across multiple governments and election cycles. Once the outcomes are agreed, we need to be agnostic about the options to achieve these. We need sustained and bipartisan agreement.” Brendan Lyon, Infrastructure Partnerships Australia.

Participants wanted the NSW Government to change the way the problem is approached. In order to do this, the NSW Government could:

- Use an ‘infrastructure approach’ to address this large-scale problem.
- Take a centralised approach, drawing on the Department of the Premier and Cabinet, the Department of Planning and Environment and the Department of the Treasury.
- Build on the existing evidence (including research by the Australian Housing and Urban Research Institute and others).
- Examine and build on lessons learned from Public Private Partnerships (such as Bonnyrigg) and other models.
- Test initiatives that are scalable and replicable.
- Redefine measures of success to include social benefits.
- Support a change in negative community attitudes toward social and affordable housing.
- Provide policy certainty and a ‘pipeline’ of opportunities to encourage private sector investment.
- Separate housing supply (which the private sector can do) from tenancy management.

Participants want the NSW Government to think laterally about funding and finance.

“There are opportunity costs to Sydney (-\$43b) if we do not provide housing in an integrated way, close to jobs and transport.” Sarah Hill, UTS/Hill PDA Consulting.

In order to think more laterally the NSW Government could consider:

- How it can do more within the existing funding envelope through efficiencies or reinvesting in business.
- Options for establishing a central financial intermediary to attract institutional investment.
- Addressing barriers to getting government-backed social housing bonds off the ground to fund an expansion of affordable housing.
- Providing incentives for innovation.
- Using Social Impact Investment to facilitate social housing.

- Harnessing 'ethical investment' from the private sector.
- Establishing a land tax exemption for affordable housing developments.
- Addressing current negative gearing arrangements.
- Offering tax benefits to incentivise social housing delivery.
- Addressing current stamp duty arrangements.
- Underwriting the risk for investors in social housing developments to reduce the cost of credit.
- Approaches to increasing rental revenues through the mixed income model.
- How funding from aged care can be redirected into social housing.
- Options for borrowing funds for the Land and Housing Corporation to redevelop the housing portfolio while debt is cheap.
- Monetising government land value and unlocking equity in land through densification/increased yields.
- Repositioning stock from high to lower value locations so that more dwellings can be provided.
- Investigating the use of mixed income rentals to go part way to meeting the funding gap.
- Using Foyer models to address youth homelessness.
- Using social benefit bonds to support funding of the system.

“[We need] institutional investment in a long term, affordable, stable housing market, where government shares some of the risk.”
Forum participant.

Participants want the NSW Government to consider the use of planning and development levers to create change. For example, it was suggested by participants that the Government consider:

- Tightening requirements for developers to provide a percentage of affordable housing in new developments.
- Providing incentives for private developers and not-for-profit investors.
- Reviewing the 2011 'local character test' amendments to the *State Environmental Planning Policy (Affordable Rental Housing) 2009*.
- Establishing mandatory requirements for inclusionary zoning.
- Establishing affordable housing targets for every local government area (LGA).
- A community land trust model.
- Increasing densities on government-owned land to increase supply.

Further to this, participants felt it was important that the NSW Government harness the expertise of the community housing sector. It was proposed that this could be done through:

- Building on the expertise of the community housing sector in providing social housing.

- Considering title transfers to community housing providers to establish the ‘critical mass’ necessary to access private financing or upscale.
- Examining the feasibility of longer-term loans to community housing providers.
- Borrowing and lending funds to enable community housing providers to redevelop.
- Changing local government legislation to enable Councils to enter into partnerships with community housing providers to develop land.
- Supporting and encouraging community housing providers to improve flexibility in operations.

“The community housing sector is ready for change and has been so for a long time. It has been around for 30 years, and in the last ten years has strengthened its business models, increased the skills of its workforce, and taken on its first large tranches of private finance and started to put a lot of housing on the ground.” Wendy Hayhurst, NSW Federation of Housing Associations.



4

What funding models have worked in other industries that may be worth trying in social housing?

Participants of the Discussion Forum identified a long list of funding models that have worked in other industries or sectors. Discussion focused on the role of the NSW Government in leading the provision of the social housing system by establishing a framework and partnerships for the delivery of social and affordable housing.

Ideas identified by forum participants to support funding and financing of social housing ranged from a centralised facility for attracting institutional investment to crowd funding. Sharing or reducing risk for the investor and providing attractive returns were seen as integral to encouraging investment. Urban growth was also identified as presenting a valuable opportunity to deliver more social and affordable housing in the short to medium-term.

“In London, provision of affordable housing went from 15% to 50%, almost overnight. This different system sent a very clear message to the market, community housing providers and the community that affordable housing, social housing and housing affordability were critical targets and aspirations for the government.” Sarah Hill, UTS/Hill PDA Consulting.

Participants of the forum thought it was time for the NSW Government to consider the implementation of new models for investment and supply. It was suggested that this could be achieved by:

- Improving the capture of developer levies and Section 94 contributions and investing these into the development of affordable housing.
- Repositioning stock and leveraging transferred assets to create new products.
- Allowing non-government organisations to redevelop government assets to achieve higher density through re-zoning.
- Creating developments of mixed tenure to supplement social housing rents.
- Encouraging social investment through performance payments tied to social outcomes.
- Gifting land to developers on the condition that a proportion of the development include affordable housing.
- Setting minimum targets for affordable housing on all government land targeted for disposal.
- Providing tax breaks to people who develop and invest in housing targeted to specific groups, such as social housing tenants, people with disability, etc.
- Implementing rent-to-buy schemes to support social housing tenants to purchase a property.
- Offering tax incentives for investors/developers in return for properties being leased at a discounted rate.
- Facilitating long term leasing arrangements.

Some of the specific funding models discussed by the forum participants included:

- The City West Housing model, which captures developer levies over and above Section 94 contributions, and invests these into the development of affordable housing to meet housing targets.



- Sourground leasing models, which provide long-term leasing arrangements that allow the ‘tenant’ to develop land or property during the lease period. Financing is based on yield and rental income to generate cash to reinvest.
- The Defence Housing Australia model, which also offers a long-term leasing arrangement for investors.

A range of incremental models exist that could also provide opportunities to achieve a good housing and social mix on particular sites, addressing the subsidy required to supplement the rental stream from social incomes.

Participants felt it was time for the NSW Government to rethink funding and financing options. Some alternative funding and financing options identified include:

- Identifying opportunities to attract institutional investment offering returns that are likely to be attractive to the market.
- Establishing a centralised borrowing facility or vehicle to tap into superannuation funds etc (as in Victoria).
- Establishing a capital program for social housing and positioning the provision of social housing as infrastructure (similar to hospitals and schools) rather than welfare.

- Exploring other opportunities for potential funding of social housing (such as stamp duty arrangements, Rental Bond Board funds, crowd funding, and lotteries).

Participants also thought there were opportunities for the NSW Government to re-engineer processes, planning and partnerships. For example, the Government could:

- Set a clear strategy that outlines the services to be provided, the outcomes sought and the most suitable providers for social and affordable housing solutions.
- Draw on the strengths of different sectors and providers to achieve specific outcomes through the delivery of housing projects.
- Address 'speed-to-market', finance and planning issues to support participation by key stakeholders and partners.
- Build partnerships to leverage all possible funding sources.
- Transfer the titles of properties to community housing providers, to enable leveraging and scale.
- Encourage and support partnerships between community housing providers and developers.
- Establish pilot projects that are both scalable and replicable.
- Identify and guarantee funds that are already in the social housing system.
- Consider social outcomes as a key priority and build them into outcomes-based contracts.

“Planning is an important economic lever, but we need to be careful we do not throw away the tools and levers that we have. We need to look at how we best maximise existing opportunities (eg the six UrbanGrowth NSW urban transformation projects and ten Department of Planning and Environment priority precincts) and incentivise and achieve change through these.” Sarah Hill, UTS/Hill PDA.



5

Looking at a whole of NSW Government response, what else can we do to address supply and affordability?

Participants of the Discussion Forum generated a range of proposals that could form part of a whole-of-government response to housing supply and affordability. Participants emphasised the importance of understanding the problem in a nuanced way. To do this the NSW Government could:

- Develop a better understanding of housing need, the evidence-base and successful approaches to addressing need.
- Establish the ‘attributed value’ of providing social housing across portfolio areas (that is, what do we save in health/law enforcement/welfare costs by providing social housing?).
- Educate the community on the facts about social housing, including the level of need and the benefits to NSW of ensuring the availability of social housing for those who need it.

Participants of the forum stated that the NSW Government could take a more strategic approach to government involvement.

“There needs to be a whole-of-government response to this issue. There needs to be an integrated, consistent and regular approach to the issue involving NSW Premier’s, Treasury, Planning, Family and Community Services and the Land and Housing Corporation. This has not existed for many years.” The Hon. Nick Greiner AC.

This strategic approach could be achieved by:

- Appointing a Minister for Housing, with portfolio responsibility for the continuum of housing issues.
- Involving all key NSW Government agencies and organisations in the development of a housing strategy, including central agencies, Government Property NSW and UrbanGrowth NSW.
- Involving the Commonwealth Government and Local Government in recognition that responsibility for managing housing supply, affordability and regulation rests with all levels of government.
- Integrating housing supply and affordability measures into the NSW State Plan (through collaboration with all levels of government).

Participants of the forum felt that the NSW Government was in a good position to identify and create opportunities for wins, which may be achievable by:

- Making better use of government-owned land for social and affordable housing.
- Identifying a ‘pipeline’ of projects upfront to enable more strategic planning by all stakeholders.
- Establishing targets for the supply of all types of housing including social and affordable housing.
- Providing clear outcome-based criteria and measures to support progress, rather than being “overly prescriptive about methodology”.

- Providing Aboriginal Land Councils with strategic advice about realising the value of their land.
- Identifying opportunities for the National Disability Insurance Scheme to help alleviate demand for social housing.
- Realising the ‘economic multiplier effects’ of existing assets, through redevelopment opportunities.
- Applying NSW Government Waratah Bonds (low-interest loans) to social housing.
- Encouraging more development in regional and rural NSW through incentives, particularly in areas with good access to social infrastructure (eg, the Western Australian approach to building aged residential development as a catalyst for other economic activity).
- Ensuring that all urban transformation projects include affordable housing solutions (an immediate opportunity).
- Providing incentives for the use of existing ‘under-utilised’ housing (eg, in tourist destinations).
- Using more cost-effective construction methods to build affordable housing.
- Establishing conversations and effective partnerships with not-for-profit organisations with assets and capabilities that could generate positive outcomes.
- Allowing community housing providers to apply for First Home Owners Grants on behalf of social housing tenants.
- Encouraging institutional and individual investors to invest in social housing.
- Providing government assistance with accessing the bond market to enable matching of asset and debt profiles.

Further to this, participants urged the NSW Government to consider addressing regulatory and planning challenges. Some considerations may include:

- Reviewing regulation of the private rental market with the goal of offering greater security of tenure and better rental conditions.
- Reviewing the *State Environmental Planning Policy (Affordable Rental Housing) 2009* to increase incentives for developers and buyers to invest in affordable housing.
- Establishing appropriate developer contributions of social or affordable housing, to be applied to all government land (not just land held by the Land and Housing Corporation).
- Providing an additional opportunity for development of private land through an ‘uplift bonus’.
- Creating ‘operational zones’ (as in the Logan Together initiative).
- Signaling inclusionary zoning upfront to provide clarity for developers, which will enable them to price this into every transaction.
- Working with local government to review the planning system including controls, zoning, and developer contribution schemes.
- Speeding up government procurement processes and improve efficiency.

Finally, participants discussed options for reforming the taxation system and what aspects of taxation reform they felt the NSW Government should try to influence, for example:

- Engaging the Commonwealth Government in discussions about changes to the taxation system to improve housing affordability, housing supply and investment in social and affordable housing. Participants advised areas for focus include:
 - ◆ Possible changes to negative gearing.
 - ◆ Identifying tax incentives for social and affordable housing at the federal level.
 - ◆ Development of a new National Rental Affordability Scheme.
 - ◆ Creation of below-market renting (tax relief for landlords in the social or private market).
 - ◆ Providing access to Commonwealth Rent Assistance for young people (who are often locked out of social housing due to income and allowance settings).
- Supporting shared equity through incentives such as reduced stamp duty for institutional investors.
- Establishing land tax exemptions for low-cost housing.
- Implementing measures that will act as disincentives for people to hold more than one property.
- Remove stamp duty and replace it with an annual land tax.

“There is an unusually high appetite across government, the community and all sectors to deal with this problem now. I would encourage everyone in the room to push the Minister, Treasury and yourselves hard to keep an open mind and work together to address this issue.” Brendan Lyon, Infrastructure Partnerships Australia.



