Australia's not for profit housing developers – an emerging industry?

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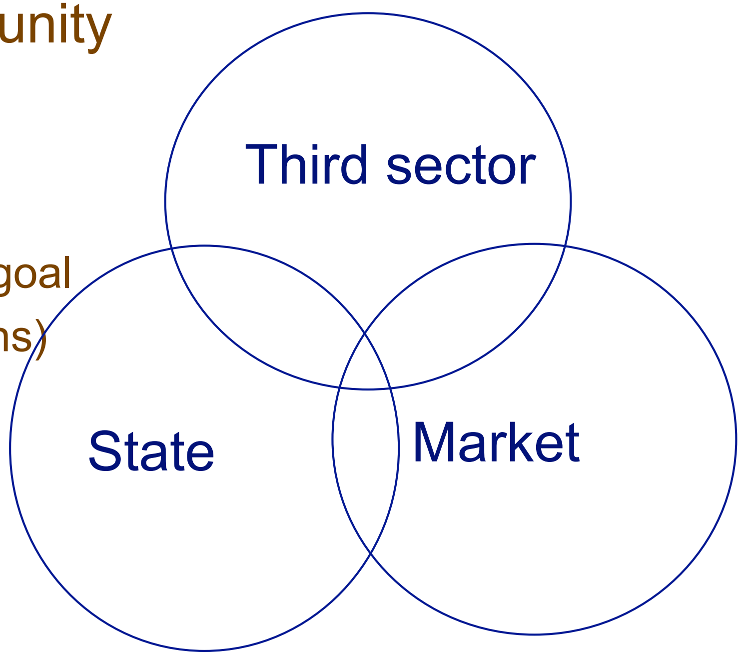
Outline

- Not for profit housing developers – history, role, numbers, examples
- The policy and business models for affordable housing
- Insights from abroad
- Where to from here?

City West Housing Development (Milligan 2007)

Not for Profit Organisations – History

- Origins in charity, church, locality, community
- Core social purpose
- ‘Not for profit’
  - Don’t distribute profits but reinvest in social goal
  - Neither state nor market (hybrid organisations)
  - Becoming social entrepreneurs
- Long history in Europe/US
- In Australian housing sector
  - Growth from the 1980s under various national & state programs – jurisdictional differences
  - Mostly small agencies with voluntary boards, close to government
  - Focus has been on general and specialist tenancy management (i.e. with support services)
  - Little by way of assets or property development, unlike overseas
  - Mainstream community housing: around 1200 agencies, 36,000 dwellings (estimates); largest 2,500 dwellings; others serve Indigenous, disability and aged care sectors
  - Since 1990s emerging affordable housing developers and ‘growth’ providers



Rationale for Expansion

- Leverage and partnering
- Preference for non government delivery (shifting political risk, carrying debt)
- Specialisation e.g. ‘complex clients’, low income singles
- Addressing unmet needs e.g. moderate income, singles
- Foster innovation & entrepreneurialship
- Local responsiveness (connected to community)
- Customer choice and satisfaction

NFP market share

	Share social housing all dwellings	Estimated share in NFP sector
Netherlands	35%	99%
France	17%	92%
US	5%	50%
Canada	7%	67%
England	18%	50%
Australia	5%	11%*
Ireland	8%	13%
NZ	6%	negligible

Source: Lawson & Milligan 2007

* Includes Indigenous specific community housing

Characteristics of affordable housing providers

Organisations	**Government founded companies** **Traditional community housing organisations** **Other service agencies moving into affordable housing**
Functions	Finance & procure housing using a mix of public & private funds Own, manage & preserve affordable housing Attract investment through partnering Contribute to urban renewal
Products	**Below market rentals** **Forms of low cost home ownership (prospectively)**
Target groups	Social housing applicants & workforce groups needing local affordable housing
Accountability	**Corporations Act** **Specific Regulations** **Contracts**

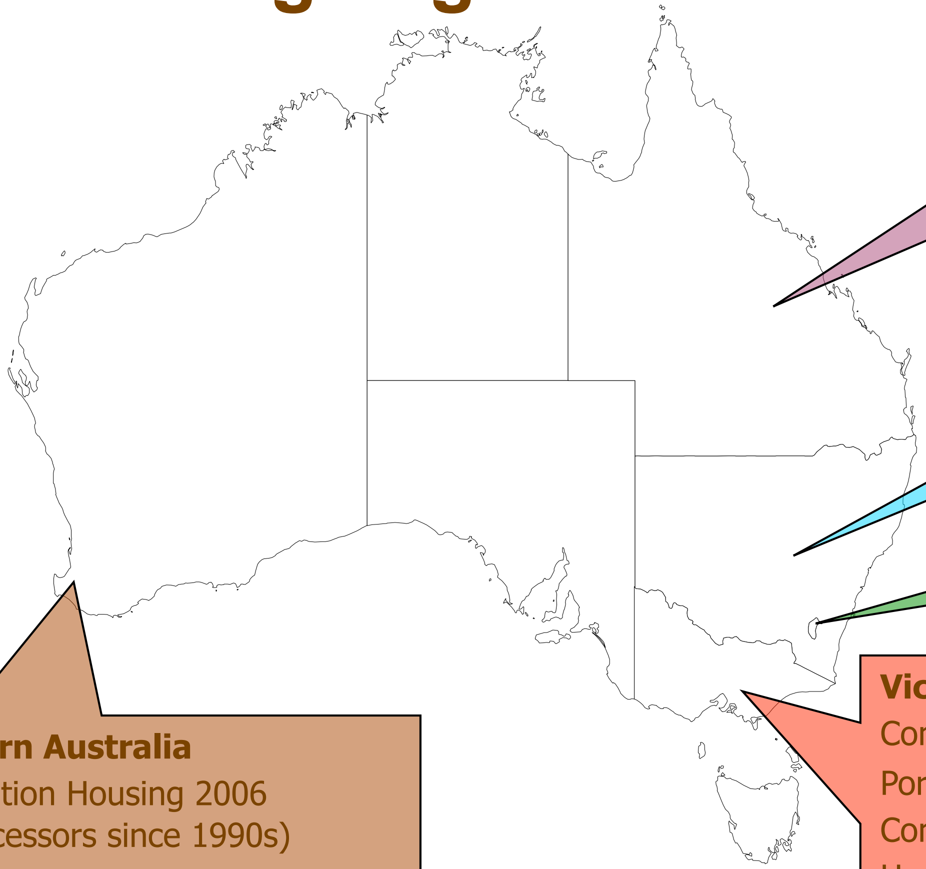
Nos. of developers Australia 2008

Types	No.
1: Developers already procuring at modest scale	11
2: Emergent developers intending to scale up, some with limited procurement experience	11
3: Aspirant developers with some limited procurement experience, unclear growth path	6
4: Growth partners (growing through management services linked to supply)	4 +
5: Traditional asset 'rich' service agencies expanding into affordable housing	11 +

\+ Likely to be other organisations not identified through the research method

Source: Milligan et al 2009, Table 4.1

11 Leading Organisations



Queensland
Brisbane Housing Company 2002

New South Wales
City West Housing 1994

ACT
Community Housing Canberra 1998

Western Australia
Foundation Housing 2006 (predecessors since 1990s)

Victoria *
- Common Equity Rental Housing 1987
- Port Phillip Housing Association 1985
- Community Housing Ltd 1993 (national)
- Housing Choices Australia 2006 (predecessors 1990s)
- Melbourne Affordable Housing 2000
- Loddon Mallee Housing Services 1994
- Yarra Community Housing Ltd 1996

* Existing Victorian housing associations moved into larger scale development following policy changes in 2005

Emergent Developers in NSW

City West Housing Development (Milligan 2008)

- Blue CHP Ltd (Sydney & regional)
- St George Community Housing Ltd
- (Sydney)
- Compass Housing Services Ltd (non metropolitan, mainly Hunter
- Affordable Community Housing Ltd (SW and Western Sydney)
- Bridge Housing Ltd (inner Sydney)
- Community Housing Ltd (from Victoria)(state wide)

Example: Brisbane Housing Company

- Developer of purpose designed affordable housing (Tenancy management outsourced)
- Founded 2002 by Queensland Government & Brisbane City Council
- Private company with government shareholders, expertise based board
- Mission is to increase supply of housing for low income people in inner Brisbane
- Received upfront capital & land grants from shareholders over 4 years, ad hoc since
- Operates in inner Brisbane (7 km radius of city)
- Adaptations to original business model
  - Debt finance secured once co. built an asset base and revenue stream
  - Joint venturing with private partners
  - Larger more complex mixed tenure mixed use projects – to produce surpluses for reinvestment
  - Development Services Subsidiary (for profit)
- Output
  - 636 dwellings over 5 years ($155m net asset value)
  - 80% smaller accommodation incl. purpose designed studios, boarding houses and 1 br units
  - Target 1,000 by 2010

Strengths – new products, not for profit development, development management expertise, packaging financing, growing balance sheet/ surpluses, scale and capacity

Hartopp Lane, Kelvin Grove Urban Village

School St, Kelvin Grove

Alderley Ave, Alderley

Danby Lane, Nundah

Guthrie St, Paddington

Source: http://www.brisbanehousingcompany.com.au

The Policy Model

- Clear social policy objectives
- Sufficient public subsidy to meet affordability objectives
- Contestable funding to drive efficiency
- Facilitative land supply & planning policies of governments
- Structured financial arrangements
- Legislative & regulatory framework to ensure client outcomes, public accountability, effective risk management
- Well governed well performed delivery agencies & network support

Source: Milligan et al 2009, Figure 2.1

The Business Model

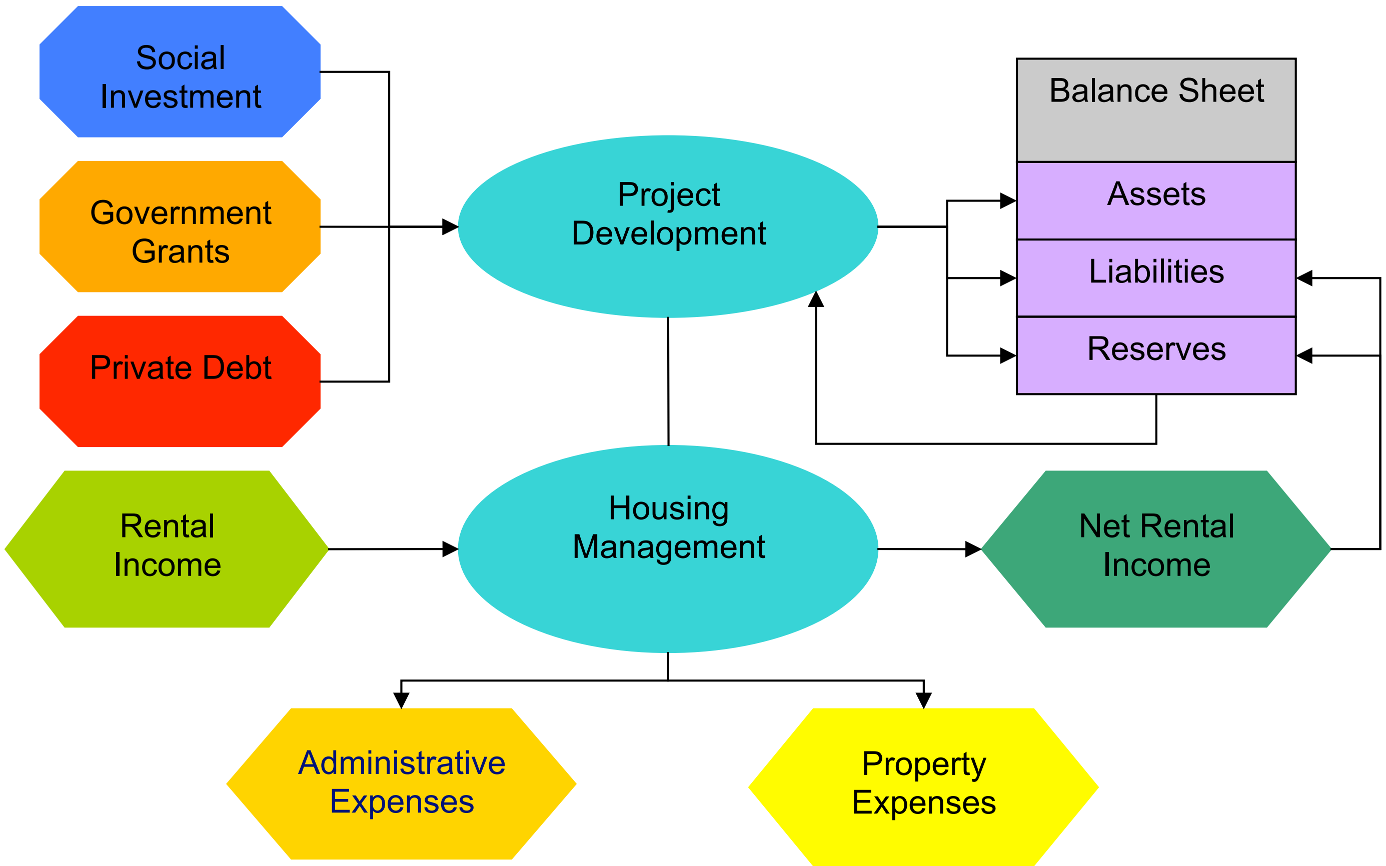


Diagram: Courtesy of Hal Bisset, Affordable Housing Solutions Ltd

Insights & Trends Overseas

(based on not for profit sectors in Austria, Netherlands, UK, US, France, Switzerland)

- Clear & measurable social task for regulated providers (legislated)
- Support for supply side subsidies – stabilisation of housing market objective
- Diverse tenant base – allocations strive to balance nomination rights of public funder with tenant choice / social mix
- Secure public funding streams – grants, loans, tax credits + guarantees to reduce financing costs
- Intermediaries to channel private finance (some sector based)
- Use of supply side subsidies, competition & cost caps to keep costs down
- Limit demand side assistance & target to ensure inclusion of neediest
- Supportive land pricing & planning policies
- Organisations: not too big; not too small
- Increasing tenant focus
- Growing links between affordable housing design & energy standards
- Build in evaluation

Industry Stocktake

- Our research (2004, 2009) shows good potential to grow modest number of larger not for profit affordable housing developers using stock transfers & mixed public & private investment in new supply
- Victoria has most developed strategy so far (over $355m invested in 8 housing associations since 2005)
- Barriers until recently
  - Limited policy framework & government investment in Australia compared to more established models elsewhere
  - Small scale and capacity of agencies
  - Resistance in state housing authorities + no government champion
  - No infrastructure e.g. fund raising, capacity building
  - Lack of brand

City West Housing Development (Milligan 2008)

Forward Directions

- Rapidly changing environment
  - National support for growth – Landmark speech by Housing Minister March 2009, COAG reforms, stimulus package targets
  - Increasing rate of transfers of developable assets to balance sheet
  - New financial incentives – National Rental Affordability Scheme (NRAS)
  - Providers accessing additional revenue – Commonwealth Rent Assistance (CRA) – through new rent setting models
  - Planning changes to support affordable housing developers
  - Move to harmonised regulation – promotes larger players
  - Capacity building plans – workforce, organisation and industry components
- Still need
  - Policy clarity
  - Funding certainty & volume
  - Means of raising & channelling private (& public) finance
  - Planning system support
  - Ready access to well located sites

"The centrepiece of the Government's reform agenda is to facilitate the growth of a number of sophisticated not for profit housing organisations that will operate alongside existing state-run housing authorities. "

('Room for more: boosting providers of social housing', Speech by Minister for Housing, Tanya Plibersek MP Sydney Institute, 19 March 2009)

Resident Opinions

"I feel lucky every day"
"Previously there was no point in contacting the landlord"
"I don't feel like a renter"
"It's the next best thing to owning your home"
"I have chosen where I want to be"

- No stigma
- Affordable 'living'
- Security & safety
- Responsive maintenance
- Self help
- Not rule bound
- Sense of attachment
- Choice
- Mixed views of multi unit living

Photo Bendigo (Phibbs 2008)

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