

## DEVELOPING A NATIONAL POLICY AND PROGRAM AGENDA for **Investment in Affordable and Accessible in Rental Housing: Women’s Housing Security**

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Approximately one third of Australian households are renting. These households are concentrated in the bottom two income deciles regardless of family structure, and will also include young people pre-family formation, household units seeking mobility because of workforce requirements, and long-term single person units and retired persons.

Most housing supply data is not gender disaggregated, apart from those relevant to crisis accommodation. However, given women’s generally lower incomes than those of men, women tend to be clustered in the lower income deciles, and presence in these is a feature of renters. Australia’s (feminised) aging population also faces struggles in securing affordable rental properties.

Given the scale of the unmet demand for affordable, accessible rental housing, and the lack of gender analysis related to affordable housing, a collaborative project of women’s advocates was launched to illuminate the position of women of all ages in the housing market. There is also a need to explore options to improve and expand the Commonwealth National Rental Affordability Scheme (and other schemes) to increase development of accessible affordable rental housing and lead to increased security for long term rental arrangements.

The housing project is a collaborative effort involving:

- **Equality Rights Alliance**, a *National Women’s Alliance* of 54 member organisations focusing on policy and advocacy to advance women’s equality, leadership and support for women’s diversity
- **Economic Security for Women**, a *National Women’s Alliance* of 20 member organisations with a focus on national policy reform relevant to the lifelong economic well being for women
- **National Foundation for Australian Women**, dedicated to promoting and protecting the interests of Australian women
- **National Rural Women’s Coalition**, a *National Women’s Alliance* representing issues relevant to women from rural, remote and regional areas

For more information visit <http://www.equalityrightsalliance.org.au/projects>

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# DEVELOPING A NATIONAL POLICY AND PROGRAM AGENDA for Investment in Affordable and Accessible in Rental Housing: Women's Housing Security

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*In February 2011 a collaboration of women's advocates<sup>1</sup> hosted a high-level workshop to discuss investment in affordable and accessible rental housing, with a particular concern for women's housing security.*

*Women's advocates see development of a new national policy on affordable rental housing as a top priority for the Commonwealth Government. Key elements of our proposals for securing affordable rental housing for all people – women and men – are set out below.*

## **The Australian Government must establish a National Policy Agenda for affordable rental housing**

Past policies have privileged home ownership to the detriment of the third of all households who are renters. Rental Housing must be placed on Australia's national policy agenda as a key issue to address poverty. Access to affordable housing needs to be regarded in the same context as health and education as a means to escape from poverty. We need to get excitement into all levels of Government about affordable rental housing! We also need to establish an understanding of how housing insecurity and a lack of access to affordable housing have a different affect on women compared to men.

Some of the issues in working with Government are:

- The division of responsibility between Ministers at the Federal level;
- The division of responsibility between State and Federal governments;
- The lack of uniformity of regulations across states and territories.

### **Recommendations:**

1. A national policy agenda on access to affordable rental housing is established through a designated Federal Minister for Housing.
2. The housing sector – community housing and housing providers – needs to work with State, Federal and Local Government re:
  - a. Funding sources
  - b. Consistency of the regulatory framework across state and local government boundaries
  - c. Local Planning rules to facilitate affordable developments (e.g. Australian Capital Territory initiatives)
3. Funding sources should be supported by governments through initiatives that allow flexibility to the housing developer while offering security to allow it to engage in a long term project.

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<sup>1</sup>The collaborating organisations are: Equality Rights Alliance, Economic Security for Women, National Foundation for Australian Women and National Rural Women's Coalition

4. Stimulation of non-government investment to respond to government incentives is key. Such funding proposals could include:
  - a. Grants should be made secure and long term through budget processes, and should be sheltered from cuts
  - b. Government backed guarantees may be a means of increasing the borrowing capacity of developers
  - c. Subsidies to address the gap between affordable rents and market rents, currently available through the tax system, could be paid in a manner that increases cash flow to developers, which will increase their repayment capacity.
5. Governments at all levels should explore means of developing suitable greenfields and brownfields 'land banks' for affordable housing development.

#### **Ensure Gender Focus in a national agenda for affordable housing**

Data presented by Professor Judith Yates shows women in private rental carry a significant burden of rental stress. The impact of the lack of affordable housing may be felt disproportionately by women because of the higher number of women in low paid jobs, women heading single parent families and the higher rates of poverty among older women living alone.

We need more data on the gender impacts of access to affordable housing. In particular, housing developers need to better understand the gender specific aspects of housing when developing their projects and determining the criteria for assistance. It may be possible to develop projects that are intended for a particular client group, which could then be marketed to a particular investor group.

#### **Recommendations:**

6. Further research is needed on:
  - a. developing a Social Return on Investment (SROI) in affordable housing development
  - b. the gender dimension of access to affordable rental housing
  - c. The compounded issues that women from diverse backgrounds and various life situations experience when attempting to secure affordable rental housing.
7. Women's advocates and housing developers need to work together to ensure developers address the needs women face in securing affordable rental housing.

#### **Expand investment options for affordable housing**

Financing affordable housing is one of the major problems facing the housing sector – from developers to community housing providers. Although the transfer of government held social housing stock to the community housing sector was intended to facilitate providers in obtaining finance, the reality has been that obtaining investment on the necessary scale is difficult. The affordable housing market over the next five years needs to be in the order of \$4-5 billion. Banks alone cannot provide that level of funding, and in the absence of institutional interest, where is the funding to come from?

#### **Recommendations:**

8. Alternative sources of market based funding need to be sourced. Some issues that need to be considered include:

- a. Alternative investment products
  - b. Alternative legal structures for housing providers that may make investment more attractive to institutional investors
  - c. Packaging products that would match an investor to a particular development
  - d. Targeting the Ethical/Social investment market – for instance develop the Social Return on Investment (SROI) in housing
  - e. Restructuring taxation incentives for housing investors to give greater incentives to investment in affordable rental housing.
9. Develop pathways for occupants of affordable housing to build their capabilities: for example, from social to secure affordable rental housing.

## Proceedings of February 2011 Housing Workshop

With Australian housing affordability in crisis, a high-level roundtable at Parliament House, Canberra, was convened to look for new solutions for affordable rental housing, with a particular focus on the issues facing women.

Held in February 2011, the invitation-only roundtable on *Investment in Affordable and Accessible Rental Housing: Women's Housing Security* was co-hosted by Equality Rights Alliance, Economic Security for Women, National Rural Women's Coalition and the National Foundation for Australian Women. Speakers at the event included:

- ACT Chief Minister Jon Stanhope MLA;
- Ian Gash, Head of Commercial Banking, ACT, Westpac;
- Jo O'Sullivan, Community Banking Manager, Members Equity Credit Union;
- Tony Winterbottom, Defence Housing Australia;
- Professor Judith Yates, leading academic on housing at University of Sydney; and
- Carol Croce, Executive Director, Community Housing Federation of Australia.

### **Welcome and Opening Remarks**

Minister for Sustainability, Environment, Water, Population and Communities, the Hon Tony Burke is currently responsible for Commonwealth policies and programs related to affordable housing. While Minister Burke was unable to attend the workshop, he was able to meet with a workshop delegation. Marie Coleman, National Foundation for Australian Women, reported that the delegation was able to brief Minister Burke on topics including the need to identify the women in most need of housing assistance, and recent developments with the National Rental Affordability Scheme (NRAS). Minister Burke stressed the need to avoid program underspend.

### **Session 1: Rental Supply and Housing Affordability: Gender Implications**

#### **Professor Judith Yates**

Professor Judith Yates presented an overview of the issues in the housing market generally, before narrowing the focus to the gender related issues. The two core housing challenges for Australia are the declining access to home ownership for middle income households and the inadequate supply of affordable and accessible rental housing for lower income and vulnerable households.

Housing, like any other market commodity, is subject to issues of supply and demand and mismatch between the two creates housing pressure. This is a structural, not a cyclical problem. Demand for housing in Australia is increasing through increases in population, wealth and smaller household units. Supply side factors include problems in locating housing where the demand exists due to urban form and provision of infrastructure. It is estimated that across Australia there was a shortage of 178,400 dwellings in July 2009, and that this gap will grow as completions do not meet underlying

demand. Lack of supply of housing has contributed to price increases, which has led to decreasing home ownership among younger first home buyers. As interest rates have declined and house prices have risen, the amount that purchasers need to provide as a deposit has increased, and this has contributed to households remaining in the rental market longer.

The impact on the rental market has been to increase rental prices as there is more competition for properties, and higher income households remain in the rental market instead of buying a home. In 2007/08 86% of households in the first quintile and 61% of the lowest 40% of income earners reported being in rental stress. This is focussed on the private rental market, where there has been a marked decline in the number of properties available at less than \$300 per week. The 2010 National Housing Supply Council (NHSC) report shows that when affordability (at the 40<sup>th</sup> income percentile) and availability are taken into account, there was a shortage of 493,000 dwellings in 2007/08. In the social housing segment it is estimated that a further 90,000 dwellings will be required by 2012, and 150,000 by 2020.

Applying a gender analysis, female households are particularly vulnerable. Where the head of the household is a woman, private renters report a significantly higher level of housing stress than purchasers or social renters. More young women are in rental stress, but older women, although smaller in numbers, are reporting high levels of rental stress. Other problem groups include singles and couples with no children who are not eligible for Commonwealth Rent Assistance but still experience high rents.

Professor Yates drew the following conclusions:

- The private rental market has not produced an adequate supply of affordable rental housing for current needs;
- The demand for affordable rental housing will increase in the next few decades with female headed households being particularly vulnerable; and
- Current initiatives to address this problem have been either cyclical (SHI) or vulnerable to political change (NRAS).

Therefore what is needed is long term vision and funding.

## **Session 2: Community Housing — Challenges and achievements in providing access to affordable rental housing**

**Carol Croce, Community Housing Federation Australia**

The community housing sector in Australia is growing. CHFA currently represents over 1000 community housing providers, managing over 46,000 dwellings. The size of providers ranges with 88% managing fewer than 50 dwellings and 5% managing more than 200 dwellings. The sector was boosted significantly when the community sector took over the management of social housing properties under the Nation Building Economic Stimulus Plan, so that it now extends across the spectrum from social housing to affordable housing, managing about 9% of Australia's social housing. The transfer of social housing into the community sector was intended to build the assets of the sector, allowing these assets to be leveraged into borrowings for new dwellings. Expectations

here have not been fully met as transfers of existing stock into the sector have been inconsistent and there have been issues in using these assets as security for loans for new developments.

The National Rental Affordability Scheme (NRAS) has allowed the sector to provide housing for 13,000 new households, of which two-thirds were assessed as being in the greatest need. Early rounds attracted more applications from non profit organisations, with more commercial providers applying in later rounds. It has also allowed the sector to become more professional in its management and organisational structures. However NRAS has presented a number of challenges to the sector. The initial targets were ambitious – 50,000 dwellings by 2012, and did not account for the time required to negotiate with the States in relation to their contribution to the program, and to obtain investment. This led to the program being vulnerable when these targets could not be met in the early rounds. Lessons from North America show that it will take time to build the sector.

The major challenges faced by the sector are:

- Maintaining growth: after the initial transfer of Nation Building stock, where is the funding to come from?
- Stock transfer and leveraging: some institutions place restrictions on the sector's ability to borrow; and
- Accessing private investment: where funding cannot be obtained through borrowing other sources of funding are needed.

The future of the sector could include:

- Larger providers will be looking for a more commercial model;
- Neighbourhood schemes to address issues of disconnect between large providers and the community;
- There will be a more diverse range of products for both investors (for example recognising the Social Return on Investment (SRoI)) and renters (for example 'rent to buy' schemes); and
- Urban renewal projects and a focus on sustainable planning will facilitate community housing scheme.

But to achieve this, the sector needs long term secure capital funding and a national strategic housing plan. Regulations need to be consistent across jurisdictions, and the sector needs to continue to become more professional while maintaining its inherent social values. It needs to develop partnerships with other stakeholders, including Government. Affordable housing needs to be part of the social inclusion agenda, in the same way as health and education.

### **Session 3: NRAS: Current Federal Government Policy to Advance Affordable Rental Housing** **Susan Finnegan, Dept of Environment and Sustainability**

Susan Finnegan provided an overview of the operation and policy aims of the Federal Government's National Rental Affordability Scheme (NRAS). The scheme was established in July 2008 with three policy goals:

- To increase the supply of affordable rental dwellings;

- To reduce rental costs for low to moderate income earners; and
- To encourage new, large scale and innovative delivery of affordable housing.

The initial target of 50,000 dwellings by 2014 has been reduced to a more realistic 35,000 dwellings, and funding of \$2.9b has been allocated up to that year. The scheme supports the provision of accommodation at 20% below market rent to eligible occupants, for at least 10 years. Currently the funding amount is \$9140, provided through a combination of Commonwealth tax offsets or cash payments (to charities) (75%) and State initiatives (25%), which may be in cash or in kind. The fourth round for NRAS has just closed.

Eligible occupants are assessed on their income, based on the number of people in the household (refer to [http://www.fahcsia.gov.au/sa/housing/pubs/housing/nras/Pages/dwellings\\_tenants.aspx](http://www.fahcsia.gov.au/sa/housing/pubs/housing/nras/Pages/dwellings_tenants.aspx)). The income levels are set at a rate to ensure that low to moderate income earners who would not usually be eligible for social housing will be eligible. Longer leases are recommended to ensure security of tenure.

NRAS participants provide demographic information on tenants and dwellings. At 30 April 2010:

- 1,637 NRAS dwellings housed 3,507 occupants
- 1,225 occupants received Commonwealth Rent Assistance
- Most had previously rented privately (1,103)
- 1,279 occupants had some (not necessarily their main source) income from Government pensions or allowances, with the next largest group (653) earning private sector wages
- Most occupants are aged under 40: 26% aged 26 – 40 years, 19% 5 – 17 and 17% 18 - 25
- 13% occupants were sole parents and 14% occupants identified as couples;
- 8% occupants disclosed a disability
- 5% occupants identified as Indigenous or Torres Strait Islander
- Apartments (957) and townhouses (258) represent about 75% of the 1,637 NRAS dwellings.

#### **Session 4: Experiences from the Australian Capital Territory**

##### **Jon Stanhope MLA, Chief Minister ACT**

The ACT is currently experiencing a period of rapid population growth, which has increased stresses in the housing market. In 2011 the Government released 5000 units of land, which is more than 7 times the units released in 2004. The housing market in the ACT is different to most other capital cities, however the housing construction sector is an important part of the ACT economy. The public housing stock is 8.5%, which is double the national average. The average income in Canberra is about \$20,000 pa higher than other cities, further increasing housing stress for low to moderate income earners.

The ACT Government has been involved in a number of initiatives to assist with affordable housing, (see <http://www.actaffordablehousing.com.au/>). Note that these initiatives include access to home ownership as well as rental accommodation.

Under the first initiative discussed, the Government entered into a partnership with CHC Affordable Housing (more information available at: <http://www.chcaffordablehousing.com.au/>). CHC is a not for profit development company that develops affordable housing for sale and for rent. To ensure an understanding of the market it is operating in, the Chair and other board members are drawn from the building and development industry. The ACT government has provided a \$50m finance facility to CHC Affordable Housing to allow it to construct 1000 dwellings. Half of these were for sale, with the remainder for rent; and CHC is on track to meet the target. This initiative depended heavily on NRAS funding in addition to the ACT provision of finance.

The second initiative is a land rent scheme. Housing in the ACT is built on land that is leased from the government, with the owner purchasing a 99 year lease. Under this scheme the ACT government has released new land on an annual rental basis instead of requiring an upfront lease purchase. The standard rate is 4%pa but where the income of the household is under \$83,000pa the land rent is reduced to 2% pa of the unimproved value. This should increase affordability by reducing the amount that the purchaser needs to borrow to build on the land. Community CPS Australia is currently offering finance to build on land rent blocks. The lessee can purchase the lease at any time by paying the full unimproved value of the land. The property can be sold with the purchaser either continuing the land rent or paying out the unimproved value. Some 600 blocks have been released under land rent, of which CHC has taken up 100.

Thirdly, under the "Own Place" scheme the Government has been working with developers to increase the availability of affordable housing. The higher income level of the ACT population has led to a situation where housing is being built to a standard not affordable by low to moderate income earners. All greenfields developments are now required to have 20% of the lots set aside for affordable housing: currently set at a cost of less than \$348,000 for a house and land package. To date most developers are offering this through units or apartments, but the planning rules have been modified to facilitate the process. For example lot sizes and boundary requirements may be reduced. Purchasers must meet an income test, currently \$120,000 in the previous year (+ \$3330 per child).

Note that the recent auditor general's report: Residential Land Supply and Development Report No 2/2011 ([http://www.audit.act.gov.au/auditreports/reports2011/Report\\_2-2011\\_Residential\\_Land\\_Supply\\_and\\_Development.pdf](http://www.audit.act.gov.au/auditreports/reports2011/Report_2-2011_Residential_Land_Supply_and_Development.pdf)), without apparent reference to the policy goals, was critical of the financial risk that the ACT Government was taking on under these arrangements.

#### **Session Five: Sponsored housing: lessons in creating value from a brand Tony Winterbottom, Defence Housing Australia**

The story of Defence Housing is a transition from a program to assist returning servicemen to the provision of appropriate housing for serving personnel. Prior to the 1980's housing provided was of very poor quality, and was described as "ghettos". This resulted in discrimination against the families of service personnel, and was a significant factor in retention rates.

Following an enquiry conducted by the Office for the Status of Women in the mid 1980's (Hamilton, *Supporting Service Families*, OSW, 1986) the Defence Housing Authority, a statutory body that can

act commercially, was formed to provide and manage defence housing. It was formed with a housing stock of 23,000 housing units including 14,200 from state public housing, worth \$520m, and funding of \$750m over 10 years to build and upgrade the housing stock and disengage from public housing. The first stage of refurbishment used this one-off funding. DHA approached institutional investors for funding to continue the redevelopment program, but found resistance to the concept of investing in a statutory authority, which led to the development of the sale and lease back program.

The sale and leaseback program is based on small investors, ('Mums and Dads' investors), who buy a property and lease it back to DHA. DHA manages the property, installs the tenants and collects the rent. The head lease and the tenant leases are with the DHA so there is no direct relationship between the tenants and the owners of the property. At the end of the leaseback period the owners may choose to sell or use the property as they wish. This allows the DHA to continue to acquire properties as required to meet the needs of the portfolio. They have about 11,500 investors 30% of which are repeat investors. DHA is also proud to be able to offer appropriate housing to Defence families, who are now able to live in similar conditions to the rest of the community.

The lessons to be gained from the DHA story are:

- Separate the housing from the tenants and create a brand. DHA is the lessor, and it is a AAA investment. In the affordable housing context, there are different segments of a broader market represented – for example families seeking affordable housing, or older couples shifting to more accessible properties. Each of these groups of people has a positive story and a potential connection that can be made to investors.
- The economics have to be right. Owners will require a fair rate of return on their investment.
- The manager must bring together housing and related services.
- The provider must take responsibility end to end to relieve the owner of the burden of managing the property.
- Funding becomes a partnership between the provider and the investor.

### **Session Six: Finance**

#### **Jo O'Sullivan and Steven Lynch, MECU**

Financing affordable housing is one of the major problems facing the sector. Although the transfer of housing stock to the community sector was intended to facilitate providers in obtaining finance, the reality has been that obtaining investment on the necessary scale is difficult.

MECU is a credit union providing banking to the community sector. It manages over \$2.5 b in assets and is one of Australia's largest credit unions. It has a socially responsible approach to banking – seeking social return on investment.

MECU has been involved in financing Community Housing projects for five years, working closely with housing providers to tailor a product to suit their needs. It has \$50m invested in affordable housing in Victoria, Tasmania, NSW and Western Australia. This has been through new construction or purchase of existing dwellings. MECU has assisted Victorian Women's Housing and Women's Housing Ltd to structure packages that facilitated access to state and commonwealth funding. The streamlined approval process that they developed was leveraged off Nation Building stock and they

provided funds for 40 properties. It is also working with CHFA to look at how Social Returns on Investment can be taken into account in funding models.

### **Ian Gash, Westpac**

Westpac is the largest housing lender in Australia. Ian raised a number of problems that the traditional banking sector has in developing models for funding affordable housing projects.

Firstly the frameworks and guidelines for affordable housing are different across state and territory borders, which requires local guidelines to be developed in each state based on an understanding of the applicable rules in that state. Applications could be streamlined if the rules were consistent, and the banks have made a submission to FaHCSIA regarding this aspect.

Secondly, while the Nation Building funding transferred housing stock, the banks still look at cash flow to determine the ability to repay borrowed funds. If a housing provider has low cash flow it can't fully leverage off those assets. Housing investment is traditionally a lower yield investment (3-5%) – small investors tend to rely on capital gains as a motivator – and this is exacerbated in the affordable housing segment. This low rate of return also makes it difficult to attract institutional interest.

The affordable housing market over the next five years needs to be in the order of \$4-5 bn. The banks cannot provide that level of funding, and in the absence of institutional interest, where is the funding to come from?

Finally, changes to the Consumer Protection Act have placed formal restrictions on the banks when lending to customers who may not have the capacity to repay a loan without being placed in hardship. The reforms have introduced responsible lending requirements, which mean that lenders now have to assess an applicant's capacity to repay the loan, and if the borrower won't be able to repay without experiencing financial hardship then the capacity to repay test is applied. Under these new requirements lenders should be looking at the applicant's whole situation. For instance, a 55 year old may not have the capacity to repay after they retire but they might be planning to downsize at that time, or planning to pay it out with a lump sum from their superannuation.<sup>2</sup>

Government believes that there is sufficient flexibility in the legislation for that to be taken into account. However there is concern that lenders are applying a blanket application in regards to the capacity to repay test. Subsequently, the Federal Assistant Treasurer has written to lending authorities to advise them against this interpretation. The Australian Securities and Investment Commission has taken similar action..

### **Concluding Session: Where to from here?**

**Facilitators: Professor Judith Yates; Carol Croce**

It was agreed that during the workshop some great initiatives had been shared with the participants:

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- NRAS has seen a substantial increase in the development of affordable housing projects. Although it got off to a slow start, and the targets were revised as a consequence, it has provided a stream of funding that has allowed the affordable housing sector to increase the stock of affordable housing, and to start to operate as a viable sector of the housing market, in its own right. However there are serious concerns about where ongoing funding will come from when NRAS funding runs out.
- There has been a substantial increase in the stock of affordable housing, coming from a combination of the NRAS and Nation Building funding. NRAS has facilitated the building of new affordable housing, while Nation Building Funding has increased the social housing stock (19,300 new homes), improved the quality of existing stock and enabled social housing to be upgraded. As at December 2010, 19,617 new social housing dwellings had been approved, of which 57% had been completed. Under the maintenance program, by March 2010 71,500 dwellings had been repaired including 9,300 dwellings that had been upgraded and returned to habitable condition  
<http://www.economicstimulusplan.gov.au/pages/dash.aspx>.
- The ACT Government has shown how partnerships between developers (e.g. CHC) and governments can provide incentives. The nature of land tenure in the ACT does give the ACT Government more ability to intervene proactively in the market, however the initiatives to increase the supply of land through land rent, and cutting red tape for developers to help them to meet the affordable housing targets are making a difference.
- The Defence Housing Association story showed how packaging the investment, and developing new products, can attract investment. By identifying a market and packaging the investment product to meet that market the DHA was able to overcome difficulties in obtaining finance from traditional sources.

### ***How do we keep the momentum going?***

Nation Building Funding will run out in 2011-12, and NRAS in 2103-14. By then the two programs are expected to provide 19,500 new units of social housing and 50,000 units of affordable housing. The gap between the demand for and availability of social housing is estimated to be 90,000 units in 2014, and will then grow as NRAS stock reaches the 10 year holding limit (National Housing Supply Council, 2010).

Additional sources of funding will be required. Some sources that the sector should explore include:

- **Grants:** the current increase in housing stock can be directly attributed to grants provided through the two schemes. How can grant funding be made more secure, and programs of longer duration? Housing requires long term planning while governments tend to take a shorter term view. Note the lessons to be learned from the NRAS, which was threatened with a withdrawal of funding last year. Affordable housing must be recognised as an important part of social infrastructure, in the same class as access to education or health. It needs to be part of the social inclusion agenda and recognise the social return on investment.
- **Guarantees:** One of the limitations in accessing funds from conventional sources is the nature of affordable housing providers, often non-profit organisations with low cash flow, and a poor rate of return on capital invested. The sector needs to work with the financial industry to develop a product that allows a third party – whether Federal or State Government, developers or another interested third party – to back loans through guarantees or similar mechanisms.
- **Financial Products:** Different financial products and organisational structures could make it easier for investors to invest in affordable housing funds. We should explore the reasons why institutional investors (e.g. ethical superannuation funds) do not find the affordable

housing sector attractive as an investment. Is it related to the investment and rate of return, or the security and structure of the organisation providing the housing? Note that the regulatory environment of the financial sector will shape the development of such products.

- **Gap Subsidies:** Funding is required to meet the difference between the rent that the tenant can afford to pay and the rent that the provider needs to receive (whether market or a lower rent). Currently the main source of funding is Commonwealth Rent Assistance, which is limited in its availability and does not fully fund the gap.

How do we get investors interested in the Affordable Housing Sector? Biases in the tax system are relevant:

- Institutional investors need an income stream, so they require a regular return on capital invested. They prefer returns that confer direct tax benefits – e.g. franked dividends. Capital gains are of limited value to institutional investors.
- Individual investors ('Mums and Dads') prefer capital gains. They are willing to accept a lower rate of return and negatively gear investments in the expectation of concessionally taxed capital gains in the longer term. However there may be a perception that tenants in affordable housing projects will not take care of the property, which would impact on the later resale value (stigma).

We need to advocate that affordable housing is an ethical issue, based on a social return on investment. Will this increase the likelihood that institutions with an ethical investment bias, or individuals with a social conscience will see the sector as a viable investment? To what extent will such investors accept a lower rate of return – and should they have to?

### ***The Tenant Base***

The affordable housing sector needs to service low income (social) to middle income (affordable) housing markets. The reallocation of social housing through Nation Building means that the same providers will be operating across the whole sector. The need to earn a return for investors could push service providers to the affordable sector, leaving the lowest income earners with even less access to housing. Low income earners who are unable to get access to social housing will be competing with middle income earners in the affordable sector. Low income earners still need financial subsidies to pay their rent in this sector.

Sustainable housing needs to be regarded as a continuum from social housing to affordable housing and possibly home ownership (e.g. ACT programs). There is much work to be done to challenge attitudes so that any stigma attached to residents in social housing can be dispelled.

Different methods of subsidising housing costs include:

- **CRA:** Commonwealth Rent Assistance is a poor substitute for the provision of housing as the tenant must first obtain a suitable property, and this is dependent on the market. Access to CRA is also limited. In particular access is based on the tenant being entitled to income support or Family Tax Benefit. Young singles in particular are not likely to be eligible, and in discussion it was noted that the recent changes to rules in relation to share housing show how eligibility can be changed.
- **Employer Subsidies:** In the Defence Housing case study the employer subsidises the difference between the market rent – paid to the investor – and the amount that is paid by

the employee. This model could be helpful in industries where housing allowances are paid under the employment contracts / awards.

- NRAS: The tax incentives are only available where the housing is provided at 20% less than market rent, so the subsidy is provided to the housing provider through indirect means.

There was little discussion in the workshop about tenant outcomes. The collection of data by FaHCSIA appears to be a good source of demographic data, but the data does not appear to include qualitative data about the impact of social housing on the lives of tenants.

### ***Social Return on Investment***

Some NGO's and other organisations are developing tools to measure a Social Return on Investment (SROI). It measures impact across social, economic and environmental aspects – see: <http://www.sroi-uk.org/> for more information.

To make the case for a Social Return on Investment the sector needs to investigate tenant outcomes. Can these outcomes be quantified? Some aspects that could be investigated further include:

- Stigma – how does the quality of a person's housing (social or affordable) impact on their standing in the community?
- Stability – does affordable housing help a tenant to put down roots in a community, and how long lasting is that effect?
- Changing Needs – how can affordable housing accommodate a person's changing needs over their lifecycle while allowing them to stay connected to their community?
- Economic outcomes – relationship between work and stable housing?
- Aspirational outcomes – can affordable (rental) housing be a step on the ladder to home ownership, and do tenants have home ownership as a goal?
- Sustainability – how can affordable housing developments link into the green and sustainable development movements?
- Gender impacts – is there a disproportionate social benefit (or cost) to providing affordable housing to women, sole parents or older women?