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Appraising Australia's affordable housing industry capacity

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Affordable housing in Australia: the policy problem

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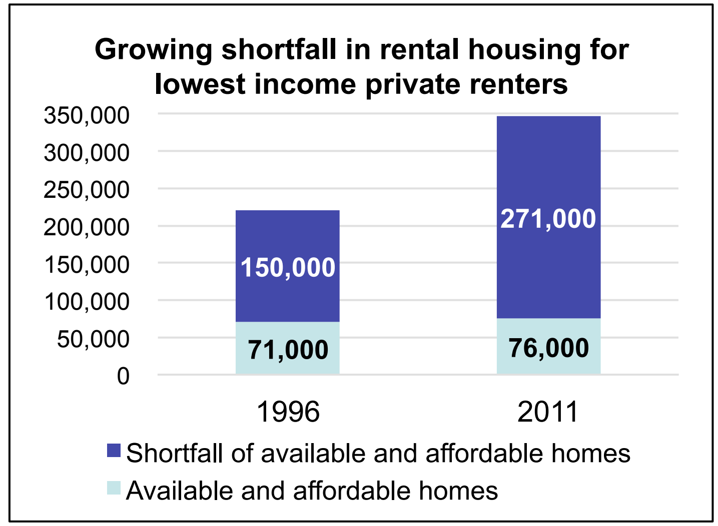
Two main aspects:

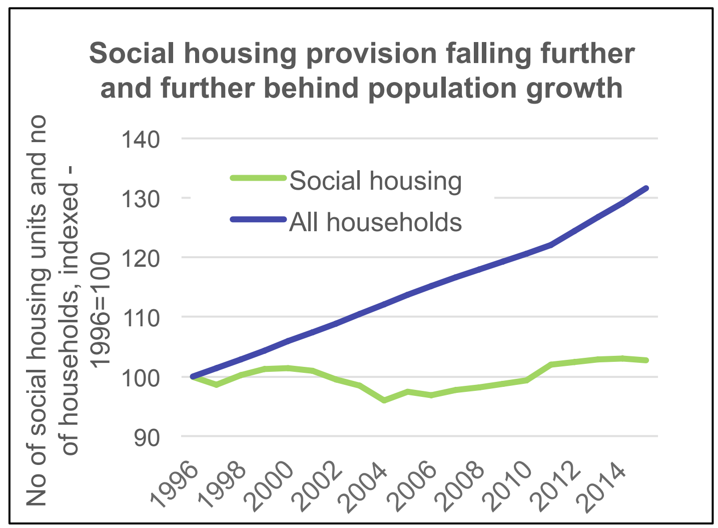
→ Intensifying shortfall in affordable housing provision

→ Declining physical & financial state of the public housing system

> *'LAHC [the NSW Land and Housing Corporation] has identified that … between 30 and 40 per cent of its properties are not at its "well-maintained" standard'* – NSW Auditor General (2013)

What is the capacity of the 'affordable housing industry' to tackle these challenges?





Source: Hulse et al (2015)

Why is 'AH industry capacity' a matter for concern?

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- Substantial expansion of CH over past decade – professionalisation, emergence of development, asset management capabilities
- **BUT….**
  - → Historically, CH 'capacity deficit' an objection to larger PH transfers voiced from within govt
  - → Equally, questions about whether industry has scale/ capability to provide vehicle for institutional investment in new rental housing

Research question

- Central research question:
  → *How can Australian governments and industry players most effectively nurture affordable housing industry development?*
- Research completed late 2016 – informs series of AHURI reports

Background: NFP housing – recent growth trajectory

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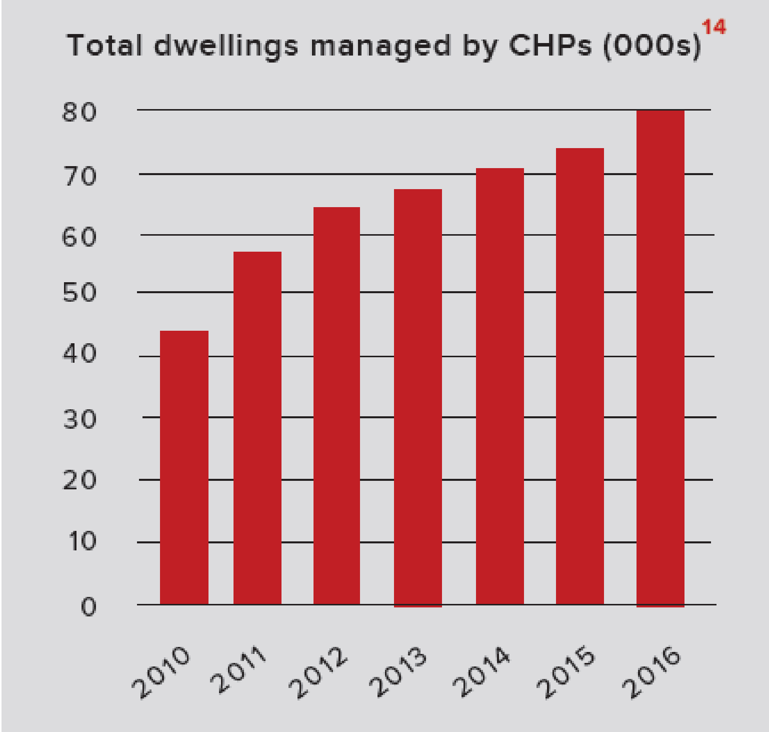
- Strong growth of NFP housing in recent years but from v low base
- >80,000 homes now managed by NFP community housing providers (CHPs)
- But still only c.20% of all social housing – <1% of all housing
- 300 registered providers but 'top 20' control two thirds of stock - typically 1.5-3k units per org



Defining *the 'affordable housing industry'*

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- Non-govt (NFP and for-profit) AH providers
- AH policy and resourcing framework
- Institutional entities enabling, supporting, regulating AH provider activity
- Therefore 'AH capacity' about the whole system, not just AHPs

What is capacity?

- Capacity: *'the power, ability, or possibility of doing something'*
- The capacity of Australia's affordable housing industry is:
  - → *'the industry's ability to perform the work and achieve the goals that governments and industry stakeholders envisage for it'.*
- Capacity-building: *'the activities, means and processes by which organisations develop or improve their ability to perform'*

Industry capacity perspectives (1)

- Leading CHPs have capacity and are well-governed
  - → *'It's not 'what capacity development needs to happen'; it's 'can we start using that capacity'. It exists and it's time to put it to use'* (Tier 1 CHP)
  - → *'The orgs we deal with are very professional and there is a sufficient cohort of larger orgs now to do business with'* (Finance partner)

But…

- → *'The bulk of the industry has just been treading water and watching established capacity ebb away'* (Industry peak body)
- → *'[Policy-makers need to recognise] the extra resources needed to deal with the deep disadvantage of Indigenous tenants (Indigenous housing leader)'*

Industry capacity perspectives (2)

- Lack of capacity in govt agencies
  - → *'It's very difficult dealing with government. There is often goodwill but they [officials] don't stay long enough'* (Tier 2 provider CEO)
  - → *There is no common understanding of the business approach or trust in the autonomy of the CHPs….CHPs are expected to respond to whatever 'policy platform du jour' that bureaucrats and Ministers dream up'* (Tier 1 provider CEO*)*
  - → *'There's hardly anyone now in [state] government who knows what community housing is or the policy that helped to build the sector'* (Industry peak body)
- Neglected regulatory system badly in need of revival
  - → *'[The NRSCH] is not fit-for-purpose for the largest [CHPs]—especially those entering into more complex governance and financing structures. The system needs to evolve to address risks as the sector expands and diversifies'* (Registrar)

Key issues in need of attention

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1. Serious erosion of housing policy knowledge and capacity within govt
2. Regulation falling far short of expectations/potential – abandoned by Federal Govt
3. Broader govt and industry leadership must be strengthened
4. Inconsistent, erratic, wasteful approach to PH transfers in reforming public housing systems and building AH industry capacity
5. Inaction on facilitating institutional investment (at least until 2016)
6. Housing needs unquantified; resource allocation ad hoc and opaque
7. Indigenous sector badly neglected; many providers at risk
8. **But….Prime constraint on AH industry capacity to meet nation's affordable housing challenges: <u>lack of fit-for-purpose policy and public subsidy framework</u>**

Industry growth scenarios

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Scenario	Key direction
1. Full non-government provision	*Phased transfer of all public housing*
2. Mixed public-private provision	*Additional transfers, system-wide regulation & subsidy regime*
3. Increased service specialisation	*Govts & AHPs have complementary service roles*

Industry development recommendations

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1. Goal of an **integrated national market** of AHPs
   → One set of rules (enabling national legislation?)
   → Single fit-for-purpose regulatory system
   → Standardised outcomes & performance data
2. **Joint govt-industry stewardship** (Affordable Housing Industry Council)
3. National framework to enable **large-scale public housing transformation**
4. **Publicly-enabled private investment** directed to additional affordable housing supply (at scale)

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Recs. continued

5. Planning for growth & resource allocations made on a **transparent needs basis**
6. **Joint govt-industry investment** in/steerage of industry capacity-building
7. Govt commitment to capacity-building directed to **culturally appropriate Indigenous housing services**

Summing up

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Three core priorities

1. A new affordable housing policy and resourcing framework
2. Enhanced leadership from both govts & the industry & dedicated policy-making capacity
3. Revitalisation of industry regulation & standards

Reports & researchers

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Inquiry final report

Milligan, V.et al. (2017) **Developing the scale and capacity of Australia's affordable housing industry**, AHURI Final Report No. 279, https://www.ahuri.edu.au/research/final-reports/279

Local suppor ting research reports

Milligan, V. et al. (2016) **Profiling Australia's affordable housing industry**, AHURI Final Report No. 268, https://www.ahuri.edu.au/research/final-reports/268

Pawson, H. et al. (2016) **Recent housing transfer experience in Australia: implications for industry development,** AHURI Final Report No. 273, https://www.ahuri.edu.au/research/final-reports/273

International supporting research projects

Lawson, J. et al (2016) **Transforming public housing in a federal context**, AHURI Final Report No. 264. https://www.ahuri.edu.au/research/final-reports/264

Maclennan, D. & Miao, J. (2017) **Transformative transfers: growing capacities in UK social housing**, AHURI Final Report No. 276, https://www.ahuri.edu.au/research/final-reports/276

AHURI visual report

Ready for growth? Inquiry into Australia's affordable housing industry capacity

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