EXECUTIVE SUMMARY

Government led innovations in affordable housing delivery

Inquiry into increasing affordable housing supply: evidence-based principles and strategies for Australian policy and practice

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Inquiry into increasing affordable housing supply: evidence-based principles and strategies for Australian policy and practice

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Executive summary

Key points

- This project examined state government-led innovations in affordable housing[1] through analysis of two state-level strategies (the Western Australian Affordable Housing Strategy and the ACT Affordable Housing Action Plan and two state-level programs (the NSW Asset Vesting Program and the East Kimberley Transitional Housing Program).

- Some programs, such as National Rental Affordability Scheme (NRAS) and state housing transfers, appear across states while other innovations, such as shared equity housing and low deposit home loans, are much less common. Some states have been more innovative than others.

- The availability of Federal Government funding has proved critical in delivering affordable housing at scale, for example, NRAS and social housing delivered as part of the Nation Building Initiative.

- The case studies evaluated during this research demonstrate how innovative affordable housing strategies and programs rely on strong political leadership, adopt a whole-of-housing industry approach to consultation and implementation and communicate objectives effectively to all stakeholders.

- A strategy or program must be resilient. It must be able to survive a change of government and must be able to maintain its initial momentum through continual reinforcement of key messages and regular communication of achievements.

- Strategies should be run from a central agency with a flexible organisational structure that can respond quickly to opportunities arising from housing market conditions and unexpected funding sources.

- Effective leadership and innovative individuals are key components of a successful strategy/program and the most effective leadership creates the conditions within which innovation can flourish.

Key findings

State governments have implemented a number of innovations to deliver affordable housing. Innovations covered in this research include established strategies and programs that deliver affordable housing outside traditional public and community housing models of provision. Aside from the use of the planning system (covered by Gurran et al. 2017a), innovations include financial tools delivering low deposit home loans to eligible households (e.g. Keystart and

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[1] Innovations outside the planning system which are covered in the companion project Gurran, Gilbert et al. 2017a.

Homestart); land cost reductions (ACT land rent scheme); partnerships with the community housing sector through asset transfer and management agreements (most states) and partnerships with the private sector delivering either lots within subdivisions or mixed tenure developments that include an element of affordable housing.

Some programs, such as the National Rental Affordability Scheme (NRAS) and state housing transfers, appear across states while other innovations, such as shared equity/ownership housing and low deposit home loans, are much less common. The table below describes examples of established innovations across states.

Table 1: Established state-level affordable housing delivery schemes

	ACT	NSW	NT	QLD	SA	Tas	VIC	WA
National rental affordability scheme	X	X	X	X	X	X	X	X
Transfer programs	X	X	X	X	X	X	X	X
Land Rent	X							
Partnerships and joint ventures with private sector	X		X					X
Subsidised rental housing for key workers			X	X				X
Low deposit home loans					X	X		X
Shared-equity schemes	X				X	X		X
Transitional housing								X
Affordable land	X							X

Source: Authors.

This research explored what makes a robust affordable housing strategy or program, highlighting the lessons that can be learnt from state governments that have successfully delivered affordable housing. It employs an evaluation methodology covering two state-level affordable housing strategies and two state-level programs focusing on the key drivers behind the strategy/program, its outcomes and innovations.

The **WA Affordable housing strategy** brought together a collection of existing affordable housing initiatives, such as the Keystart home loan program, with opportunities generated by new Federal Government money including NRAS and units delivered as part of the social housing initiative. The innovation came largely from the strategy itself; drawing together existing programs and developing the housing continuum as a way of communicating the need for affordable housing supply right across this continuum. In addition, the development of the strategy helped to expand an existing program of collaboration with the private sector opening up opportunities for joint ventures, leveraging affordable housing opportunities. Vision and leadership within the Housing Authority created conditions for innovation and developed a more market-orientated approach to affordable housing delivery. At the time of strategy development and launch (2009–10) the Housing Authority was able to take advantage of weak housing market conditions, securing good deals with developers and builders which maximised public investment outcomes often delivering an equity stake in projects subsequently used to deliver shared ownership opportunities. These early successes led to further innovative joint ventures with the private sector and created the basis for an ongoing program of private sector collaboration on top of existing affordable housing programs. Strong leadership creating the conditions for innovation, quality communication within and outside the organisation, a range of complimentary skillsets and broad industry consultation were the key elements driving the success of the strategy that delivered on its target of 20,000 dwellings five years early.

The **East Kimberley Transitional Housing Program** (WA) evolved from an existing program developed by the Wunan foundation. Taking advantage of Federal Government funding available as part of the nation building initiative, Wunan partnered with the WA Housing Authority to deliver 40 dwellings across a range of dwelling types in Kununurra for the purpose of providing stable, supported accommodation for Indigenous households. Support services include financial planning and counselling, assistance with health management, mentoring for maintaining working and training, assistance with parenting, home management or home loan applications. The Wunan program was unique because it combined positive outcomes in terms of employment/training and education with stable housing opportunities with the ultimate aim of transitioning tenants into owner occupation. The program was driven by exceptional leadership and a strong vision about the importance of housing in delivering a broad range of social outcomes for Indigenous households.

Like WA, the **ACT Affordable Housing Action Plan** (AHAP) also adopted a housing continuum approach delivering land supply, affordable housing quotas, a land rent scheme and a program to grow the community housing sector. Land supply was tied to affordable housing outcomes with a proportion of lots offered at affordable rates to eligible home buyers. One of the major innovations was the land rent scheme where eligible households could rent land from the government at two per cent per annum of the unimproved value of the land. Financial support was provided for Community Housing Canberra (CHC) along with asset transfer of 132 public houses to help the organisation grow. A key feature was access to a $50 million revolving loan fund available at the 90 day bank bill rate. The commitment of the territory government to partner with CHC resulted in a reasonably small degree of financial and asset support which delivered 500 additional affordable rental units within a ten-year period. Overall the action plan implemented 59 initiatives across the housing sector. Lessons from the plan include the need for political and bureaucratic leadership to focus the efforts of the multiple agencies involved in the delivery of affordable housing, the significance of the community housing sector and land release in a whole-of-housing continuum approach.

The **NSW Asset Vesting Program** (AVP) was designed to grow the community housing sector. It came into being largely as a result of Federal Government stimulus spending, under the Social Housing Initiative. The NSW Government used the funding to develop around 6,000 dwellings, which were to be transferred to Community Housing Providers (CHPs) upon completion. Competitive tenders for the dwellings among CHPs included commitments to leverage the value of the transferred dwellings to finance some 1,300 additional affordable housing dwellings. While the success of the program is largely viewed as mixed, the program was considered a vital catalyst in growing the size, diversity and professional capacities of the CHP sector. Increasing expectations within government to maximise the value of land assets, and how that translates to growth in both housing supply in general and affordable housing supply in particular, has however led the current NSW Government to argue that the CHP sector is not in the best position to act as developers in the renewal of government assets. The case study highlights the importance of political stability and an overarching strategy to ensure policy objectives remain clear and long term.

Policy development options

When reviewing the case studies in this report it must be understood that two of the cases relate to comprehensive state strategies, while the other two are individual programs so have a much narrower focus. The four cases reveal some strong messages for all levels of government about the key ingredients of an effective housing strategy.

Resilience of the strategy or program

A key lesson from both the NSW program and parts of the ACT strategy was the difficulty in sustaining the housing outcomes after the original political champion(s) had moved on. The most enduring outcomes are associated with elements of the strategy with short time horizons or required a long term agreement with a third party that was difficult to unwind. Programs where there was no bureaucratic consensus on direction and purpose were most at risk. In contrast, the main messages of the WA strategy have been reinforced by successive housing ministers helped by a period of political stability. The leadership team within the Housing Authority have been, and continue to be, very active in ensuring the strategy remained front and centre, framing policy developments such as the recent seniors' affordable housing strategy. It will be interesting to see how resilient the WA strategy proves to be following the recent change of government and the decision to merge the Housing Authority into a much larger department.

Leadership

Of all the elements examined in this project, it is clear that leadership is the most important. The delivery of better housing outcomes in a city or region is a long and complex process that requires the support, and sometimes the active participation, of many different stakeholders, including a range of government agencies and the private sector. The ACT case clearly demonstrated that very strong leadership is needed to bring all these elements together—a situation mirrored in WA. Without the leadership of the housing minister of the time and the CEO of the Housing Authority it is unlikely the WA affordable housing strategy would have been developed at all, let alone implemented as successfully as it was. The support of the State Treasury is very important. The East Kimberly Transitional Housing program provides another illustration of just how a driven collection of individuals can make a real difference if provided with the support to implement ideas.

Federal funding

In most cases, state government affordable housing strategies will require the expenditure of considerable resources. Even when state governments are running surpluses, the resources required to make a difference in terms of housing outcomes is at such a level that strategies will be most effective when state governments can augment their own resources with those of the Federal Government. This is clearly evident from the WA and ACT cases where state housing targets were partly met with the assistance of the Nation Building Initiative as well as the NRAS scheme. The East Kimberley Transitional Housing program was able to access funding from the Commonwealth Ord River program. In NSW, the AVP was mainly facilitated through new stock constructed as part of the Nation Building Initiative.

Organisational structure, innovation and responsiveness

A key element of both the WA and ACT housing strategies was the involvement and leadership of central agencies. This leadership was effective at gaining the support of other line agencies as well as facilitating access to adequate resources. The difficulty that the AVP experienced in NSW was partly a result of a lack of support from such central agencies, particularly after the change in government in NSW in 2011. The ACT and WA cases highlight how successful organisations are able to move quickly to capitalise on new funding opportunities that are few and far between. Such organisations need to be flexible and require staff with the ability to deliver innovative solutions quickly. That ability to innovate is partly a function of staff expertise but also of organisational structure and leadership.

Consultation and collaboration

Critical is the role of quality consultation, a collaborative approach to implementation and a good community engagement strategy. The WA Social Housing Taskforce, which provided the platform for the affordable housing strategy, consisted of a range of private and community

sector organisations that helped to shape the development of the affordable housing strategy. The ACT AHAP was based on significant consultation with a range of private and community sector stakeholders. Early consultation and engagement is key, both within an organisation to ensure support, and across government departments to ensure a smooth passage through cabinet approval. Consultation needs to make organisations feel part of the process rather than be simply a tick box exercise.

Responsiveness

It is often difficult to know when opportunities might arise in a range of policy areas. The fact that the groundwork had been undertaken within the asset vesting program enabled NSW to respond to the opportunities provided by the nation building initiative. In the ACT, the bureaucracy was able to respond quickly to the political opportunity of having a Chief Minister and Treasurer in 2006 who was very interested in affordable housing because they had been doing research and program design on affordable housing since 2003. This would suggest that there is an advantage of agencies having some 'shovel-ready' housing strategies available in case opportunities become available. Similarly, the Wunan foundation in the Kimberley had a viable scheme in advance of Federal Government funding and were able to move quickly in partnership with the Housing Authority when the funding opportunity arose.

Nature of the strategy

The quality of the housing outcomes from any strategy are closely aligned with the quality of the actions contained in the strategy. A feature of both the ACT and the WA strategies was the depth and breadth of the actions. The ACT strategy consisted of 63 individual strategies or actions targeted across different price points of the housing market, targeting the bottom two quintiles. The strategy was not aimed at one segment of the market. A broad strategy also has the advantage of diversification—if one strategy is less successful than other strategies, it can still assist the broader housing targets.

Summary

The two affordable housing strategies in this report can be compared with two recent state affordable housing strategies for Victoria and NSW which have been criticised for focusing on first home buyers and not directing much attention to the affordable rental end of the market (Saulwick 2017). In contrast, the WA and ACT strategies delivered initiatives across the whole of the housing continuum which is one reason why it was so well received by the broad housing industry; recognising the role of market housing in helping households transition out of heavily subsidised tenures. One common issue across three of the four case studies is the poor quality of data available on actual housing outcomes. In order to measure the success of affordable housing strategies and programs, governments need to increase the quality of the data available to assess economic and social outcomes tied to the resources expended on these strategies/programs.

The study

This project examined how state governments have used innovation to deliver affordable housing. An environment of limited funding has forced state governments to develop new ways of delivering a supply of affordable housing across the housing continuum. Affordable housing is more than public housing and many state governments have recognised this fact and implemented schemes to deliver housing primarily for households across the bottom two income quintiles.

This project evaluated two state affordable housing strategies and two state-level affordable housing programs to assess whether certain innovative approaches, both organisational and

operational, can be applied within other jurisdictions. In all evaluations, the extent to, and ways in which, governments have facilitated or stimulated affordable housing delivery by the private sector and/or partnered with the not-for-profit sector are highlighted. The implications of the findings from this aspect of the analysis help to identify the potential to empower and enhance the effectiveness of government in the delivery of affordable housing outcomes.

The project addresses the following research questions:

1. What strategies, programs and mechanisms have governments used to increase the supply of affordable housing?

2. What are the key drivers behind innovative strategies to deliver affordable housing? How important is leadership and are there specific organisational structures and capabilities required to deliver such strategies?

3. How have government partnerships with the private and community housing sectors been developed and how have they evolved over time to deliver affordable housing?

The evaluation follows a three stage Context-Mechanisms-Outcomes approach to ensure a consistent methodology. Key policy documents were reviewed supported by interviews with a number of individuals involved in each strategy/program. This project forms part of the evidence-based policy Inquiry titled *'Increasing affordable housing supply: evidence-based principles and strategies for Australian policy and practice'*. Strategies and programs for inclusion in the evaluation were identified and confirmed at the first Inquiry Panel meeting. The Inquiry includes this research project and two other complimentary projects (Randolph et al. 2017; Gurran et al. 2017a). The overall project enquiry report drew together the findings of all three projects (Gurran et al. 2017b).

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