Towards an Affordable Housing Strategy for the G21 Region

A proposal for the establishment of a G21 Housing Association

Prepared by the G21 Affordable Housing Working Group

August 2007

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[1] Source: DHS, Office of Housing

Executive Summary

G21 is a regional development organisation formed through an alliance of five local government authorities and a number of state government departments. In 2007 G21 released the Geelong Region Plan which identified affordable housing as a key issue to be addressed if the region was to achieve greater social and economic development.

In response G21 established a G21 Affordable Housing Taskforce in early 2007 with a mandate to:

- Undertake a regional housing needs study and publish the trends analysis data

- To develop and communicate a G21 Region Affordable Housing Strategic Plan

- Investigate the establishment of a Housing Association

The three tasks are seen to be interrelated and the Taskforce commenced the task of developing the vehicle to implement their plans at the same time they are putting together a coherent and coordinated strategy.

This document outlines the steps necessary to create the vehicle necessary to implement a G21 Affordable Housing Strategy and concludes that the G21 community should move toward the establishment of a G21 Housing Association during the course of 2008.

Part 1 provides the market context to the proposal. It provides an initial overview of affordable housing demand and supply in the region. It also summarises the current level of thinking and commitment by each of the Councils in the region. It is based on data compiled by Cathy Walker from the City of Greater Geelong.

Part 2 examines the opportunities to increase the supply of affordable housing in the region. It surveys Commonwealth and State initiatives and concludes that a Registered Housing Association with a strong commitment to and relationship with the regions, particularly each Council, is a key to successfully capitalising on those opportunities. This section then examines the role of existing Housing Associations, the characteristics of a Housing Association that would be essential for success in the G21 Region and the options for consideration. It concludes that the most appropriate way forward is the establishment of a new G21 Housing Association and notes that successful establishment will depend upon the development of a strategy based upon:

- Incorporation of regionally based small housing providers

- Partnership with OOH Regional Office in the implementation of place based management of large scale public housing estates as a component of neighbourhood renewal

- Partnership with each of the LGA's in the region through which the Housing Association will take the lead in implementing affordable housing projects which achieve affordable housing objectives within local planning schemes

- Building a capability to undertake housing development projects in its own right or in partnership with private developers

Part 3 examines some immediate issues that arise from this proposal including:

- What legitimate role can local government play in the development of affordable housing without assuming a responsibility it does not have the resources for or diminishing the responsibility of state government?

- What governance arrangements can be employed to protect Council interests without exposing them to unreasonable risk if they were to support the development of affordable housing through a Regional Housing Association?

- What are the requirements for a Housing Association to be registered under the Housing Act 1987 and thereby have access to State and Commonwealth housing assistance funding?

The paper concludes with a number of recommendations for action. These recommendations are designed to elicit the level of support from key stakeholders in the proposal, namely:

- Regionally based community housing providers

- Senior management from the Barwon South West office of DHS

- Participating Councils

Part 1: Context

1.1 The emergence of affordable housing as an issue

Affordable housing is housing which is appropriate to the needs of individual low income households and which is affordable in relation to their income. In other words after paying their housing costs households still have enough money to meet all of the other basics of life such as food, healthcare, education, clothing and participate in society.

G21 has identified affordable housing outcomes as a regional priority. Participating Councils recognise that the crisis in the supply of affordable housing affecting the nation as a whole is also severe in this region. They acknowledge that the lack of affordable housing not only exacerbates disadvantage and poverty and threatens social cohesion and community sustainability but also undermines regional growth and economic development.

Over the last two decades successive Commonwealth and State governments have reduced their commitment to housing policies and expenditure. The Commonwealth has relied upon broader macro-economic policies to lower interest rates while the State government, faced with diminishing funds in real terms through the Commonwealth State Housing Agreement (CSHA) has resorted to increased targeting of services and the devolution of responsibility for affordable housing provision to the non-government sector.

Only in the last few years has the Victorian government begun to reinvest in affordable housing and in the last 12 months in particular there is a growing groundswell of media interest in the issue which in an election year might at last bring new initiatives of a substantial nature.

However, all of the recent reviews and analysis has emphasized that successful strategies will involve all three levels of government as the key issue today is the availability of affordable land. Without the participation of local government and its land planning powers any local affordable housing strategy is destined to be ineffective or inefficient or both.

1.2 The Need for Affordable Housing across the region

The G21 Plan identifies affordable housing as an important issue. The regional challenges are:

- The lack of rental housing generally and affordable rental housing in particular
- The lack in availability of residential zoned land
- Property values in some areas are comparable to Melbourne
- Lack of supply of properties for sale
- The lack of growth in public and social housing

The regional challenges evidenced through data include:

- 38% of all renter households are paying more than 30% of income in rents.
- In Melbourne the income per annum required to purchase the median priced house in 2004 was $73,000. In 1996 it was $49,000.
- In regional Victoria the equivalent figures are $62,000 (2004) compared to $44,000 (1996)
- Since 1996 30% of Victoria's low cost rental stock has been lost

Affordable Housing is an issue affected by many elements with the main areas being "income levels" which, in the G21 Region are below Victorian and Australian averages. Jobs and industry development (addressed in other parts of the G21 Plan) are therefore critical parts of the solution.

In addition other influencing factors include: House prices; Land prices; Material inputs; Interest rates; Transaction costs; Purchase Deposits; Rents; Infrastructure costs ; Utilities.

1.2.1 Rental Market Affordability

According the Office of Housing's Rental Report for March 2007, median rents for the Barwon South West Region were at $200 per week and change saw an annual increase of 3.0%, **17.9% increase over 5 years**.

The report also advises: in terms of lowest median rents statewide for 2 bedroom flats and 3 bedroom houses, Corio is the only suburb within the G21 region to rate on the lowest rent scale. Median rents for 3 bedroom houses in Geelong increased by 9.5%

**Housing Establishment Fund (HEF). Funds used for rent arrears in Barwon.
July 2005 to 30 June 2007.[2]**

- Total number of clients assisted with HEF - 1888
- Total number of clients assisted with HEF for Rent Arrears - 463
- Average use of HEF for rent arrears = 24%
- Total amount of HEF - $290,276
- Use of HEF funds for rent arrears - $86,307
- Average amount of HEF expenditure = 30%
- Average assists per month = 19

Increased demand in the private rental market

According to the City of Greater Geelong's Economic Development unit the key drivers for demand on rental accommodation in the greater Geelong area are for student accommodation, TAC staff relocations and general population expansion. There is an average population increase of 1.6%, (2,800 people) per year in Geelong.

1.2.2 Home Ownership

Median House Prices in the Barwon Region[3]
LANDATA median house price data for 2005 shows median house prices increasing across most municipalities. However, the rate of growth in median house prices has dropped steadily over the past three years since the price boom in 2002. The median house price in the City of Greater Geelong increased by 2% between 2004 and 2005, reaching $250,000.

Suburbs that attracted the highest median sale prices in urban Geelong included Wandana Heights ($380,500), Newtown ($360,500), Geelong City ($336,500), Waurn Ponds ($335,000), High ton ($322,500) and Lovely Banks ($322,500).

The townships on the Bellarine Peninsula that attracted the highest median sale prices were Barwon Heads ($375,000), Ocean Grove ($323,000) and Portarlington ($282,750).

The median sale price in the Surf Coast Shire reached $385,000 during 2005, an increase of 4% on the previous year. The highest median sale prices were recorded in Lorne ($720,000), Fairhaven ($480,500) and Aireys Inlet ($458,750).

The Colac Otway Shire also experienced growth in the property market with sale prices increasing by 1% from $192,250 to $195,000. Apollo Bay attracted the highest sale price of $350,000.

Median sale prices in the Golden Plains Shire declined by 4% in 2005 from $215,000 to $207,000. Bannockburn attracted the highest median sale price of $322,000.

The median sale price in the Borough of Queenscliffe increased by 4% in 2005, from $466,500 to $485,000.

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[2] Source: Salvation Army Social Housing Service.
[3] ECONOMIC INDICATORS BULLETIN 2005/2006 - GEELONG, SMART THINKING

Recently released 2006 ABS data shows that in Greater Geelong (C) (Local Government Area), the median weekly rent was $160, compared to $190 in Australia. The median monthly housing loan repayment was $1,100, compared to $1,300 in Australia. The average household size was 2.5 and the average number of persons per bedroom was 1.1.

1.2.3   Growth Trends across the Region

Patterns of population growth from the 2006 Census of Population and Housing

Over the five year period 2001-2006 the City of Greater Geelong grew at 1.24% p.a.

Urban Geelong grew at 1.06% p.a. Strongest growth occurred in Waurn Ponds and Wandana Heights. Lara, Leopold and St Albans Park also reported significant growth.

The Bellarine Peninsula grew at 2.03% p.a. Barwon Heads and Wallington reported strong growth whilst many of the City's Bayside townships such as Drysdale also reported growth.

Rural areas to the City's north grew at 2.68% p.a. Strong growth was reported at Batesford.

The City of Greater Geelong's population growth of 1.24% p.a between 2001-2006 compares with Melbourne 1.30% p.a. and Victoria 1.12% p.a.

Over the same period our regional neighbours the Golden Plains Shire grew at 2.78%, the Surf Coast Shire grew at 2.01% p a. and the Colac Otway Shire grew at 0.23% p.a. The Borough of Queenscliffe declined in population by 0.78% p.a.

1.2.4   Housing Assistance

Public Housing Waiting List data 2007- Geelong Region as a sample

People on the waiting list are asked to indicate preferred areas. Areas are divided in to North and South Bands and covers the areas bounded by Corio to the North, and Leopold/Waurn Ponds to the South. The demarcation line is at Aberdeen St Geelong. EH means Early Housing List figures and EP refers to Elderly Persons housing.

Count of Ist Preference Waiting List		EH Wait times	
Ist Preference Waiting List	Total		EPs
NTH1	460	18 - 24 mths	3mths
NTH2	342	6 - 12 mths	
NTH3	151	3 - 6 mths	
NTH4	46	12 - 18 mths	
NTH5	3	indefinite	
STH1	406	2 yrs	
STH2	308	9 -12 mths	
STH3	185	9 - 12 mths	
STH4	35	12 - 18 mths	
Grand Total	1936		

Demand for Crisis Accommodation 2001 - 2005[4]
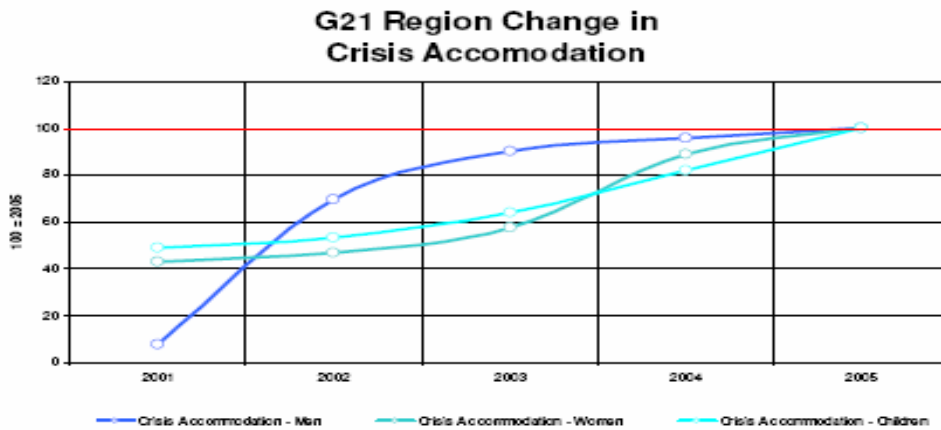
Data Source: ^Salvation Army Social Housing Service, 2006; *Salvation Army Kardinia Women's Services, 2006
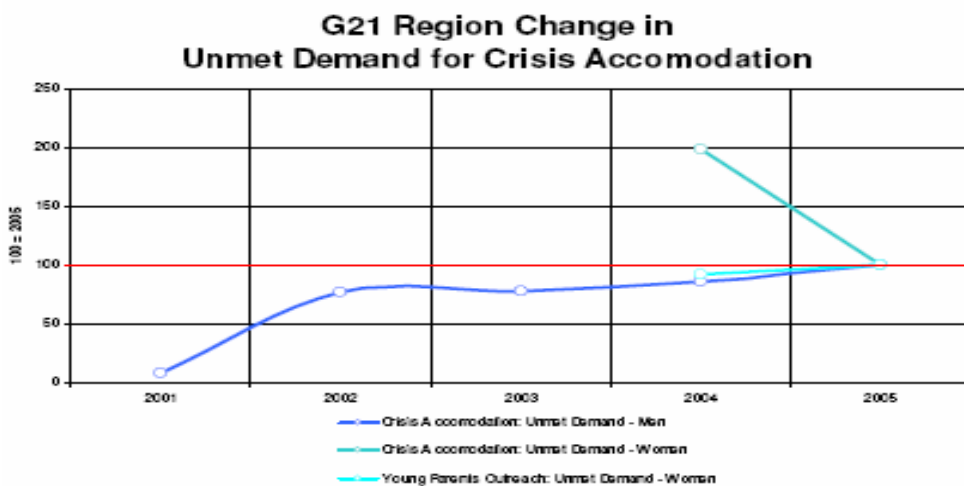
Data Source: ^Salvation Army Social Housing Service, 2006; *Salvation Army Kardinia Women's Services, 2006

Barwon South West SAAP Indicators of Need Data 2001/02 – 2005/06 (snap shot)[5]

- BSW SAAP support periods

2001-02	2,450	5.9% total Vic
2002-03	2,700	6.1
2003-04	2,950	4.8
2004-05	2,600	4.8
2005-06	2,750	4.3

  Note: actual client numbers are somewhat less than the numbers of support periods – state-wide for 2005-06 the mean number of support periods/client was 1.9

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[4] G21 Region Indicators
[5] Source; National Data Collection Agency (NDCA) reports. This includes the South-West but likely majority of clients will be Barwon Sub Region.

Comment:

Although the % of BSW support periods relative to whole state has dropped over this 5 year period, the actual number of support periods has increased – i.e. BSW 2001/02-2005/06 from 2,450 to 2,750. (reflecting statewide increase 2001/02-2005/06 from 41,850 to 63,750).

It is likely that these figures indicate service system capacity more than anything else.

Unmet Demand Collection (for accommodation)
- 2002-03: 222 requests for accommodation – 67 offered accommodation, 155 unable to be accommodated.
- 2004-05: 168 requests for accommodation – 48 offered accommodation, 120 unable to be met.

Comment:

The Unmet Demand collection spans 2 weeks each year and is one of several indicators of need. Despite the drop in numbers over this 2 year period these are still significant figures of regional need for emergency accommodation over a 2 week period.

This collection also begs a few questions, including whether people will approach a service if they are aware of the likelihood of not being assisted.

The figures for accompanying children are worth noting:
- Of the 222 adults in 2002-03 requesting accommodation, 75 were accompanied by children (number unclear) – i.e. approx 1/3 of the adults were accompanied by children.
- Of the 168 adults in 2004-05 requesting accommodation, 83 were accompanied by children (number unclear) – i.e. almost half the adults were accompanied by children.

There is an increase in children presenting to the homelessness support services over this period, it could be argued that this represents significant need. Most needs are not able to be met for accompanying children (both a resource and a recognition issue), despite the fact that the serious impacts of the experience of homelessness on children are now well documented. These figures should concern everyone.

Period 2001/02 – 2004/05

	Domestic Violence%	Financial Difficulty%
2001-02	21.4	7.4
2002-03	22.9	8.6
2003-04	18.5	22.2
2004-05	20.3	18.1

Domestic violence has usually been the main presenting issue. Over this period Financial Difficulty has increased by at least by 250% to become one of the two main presenting issues.

It is well recognised that financial difficulty will play a significant role in many domestic violence/family violence situations. Also, despite the rising 'complexity of need' reported by agencies, it is arguable that the lack of financial resources available to individuals and families will play a profound role in the manifestation of need within the community, via the homelessness service system.

1.3   What is already being provided across the region?

1.3.1   City of Greater Geelong

Some of the municipalities which merged to form the City of Greater Geelong had undertaken affordable housing projects in the past which, post amalgamation, are now the responsibility of the city. Three projects were implemented through the now discontinued Local Government and Community Housing Program which formed part of the CSHA during the early 1990s. In each case Council contributed land in a joint venture with the Office of Housing. These projects include:

- 17 bed rooming house for young people
- 6 one bedroom dwellings for older people and those with a disability
- 2 group homes for people with a disability.

The City of Greater Geelong retains ownership of these properties but each is managed externally by a community group. Council also has nomination rights to a number of public housing properties which were developed on Council land in the 1970s and 1980s. Council continues to own some of these properties but at the present time it does not exercise its nomination rights.[6]

1.3.2   DHS, Office of Housing, G21 Region, 2006[7]

LGA	House	Unit	Flat	Other	TOTAL
Greater Geelong	2864	525	106	76	3571
Surf Coast Shire	63	16		2	81
Queenscliffe	5	9		1	15
Colac-Otway Shire	244	56	7	6	313
Golden Plains Shire		4		3	7
Totals	3,176	610	113	88	**3,987**

(Community Housing etc figures are included in table above and below)

Properties by Bedroom Number						
LGA	0bd	1bd	2bd	3bd	4bd	TOTAL
Greater Geelong	6	720	1140	1553	152	3571
Surf Coast Shire	1	22	11	47		81
Queenscliffe		7	4	2	2	15
Colac-Otway Shire		60	81	160	12	313
Golden Plains Shire	3	4				7

Non Public Rental Properties [8]	
Greater Geelong	285
Surf Coast Shire	6
Queenscliffe	0
Colac-Otway Shire	27
Golden Plains Shire	4

**Community Housing Types
Barwon South-West Region**

- Community Housing Program (CHP) - 8
- Rental Crisis Program (RCH) - 9
- Group Housing Program (RGH) - 24
- Interim Long Term Community Housing Program (ILTFM) - 12
- Joint Venture (JV) - 3
- Labor Financial Statement Joint Venture (LFS JV) - 2
- Labor Financial Statement SHIP Joint Venture (LFS SHIP JV) - 71
- Local Government Community Housing Program (LGCHP) - 27
- Residential Rehabilitation - 10
- Rental Housing Co-operative Program (RHC) - 58
- Rooming House Program (RHCM) - 1
- Transitional Housing Managers Program (THM) - 201

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[6] Bisset, 2005. **"**Local Government and Affordable Housing Provision in the Context of Changing Housing Policies". Discussion paper for the City of Greater Geelong
[7] Source: DHS, Office of Housing
[8] Properties leased to other state government departments

1.3.3 Community Housing

Common Equity Housing Ltd manages 228 properties in Geelong, 26 properties in Colac and 16 in Warrnambool.

CEHL property locations in Geelong are as follows, Norlane Corio Lara, Lovely Banks, Bell Park Bell Post Hill, Hamlyn Heights, Newtown, Grovedale, Whittington East Geelong Newcomb St Albans Park South Geelong, Geelong West, Leopold, Clifton Springs, Portarlington, Ocean Grove, Barwon Heads, Collendina, Drysdale, Torquay, Thompson, North Geelong and Rippleside.

These comprise of 2 /5 bed houses, 50/ 4 bed houses, 142 /3 bed houses and 34/ 2 bed units.

Northern Geelong Rental Housing Cooperative Inc manages 58 community housing properties (included in DHS Office of Housing figures), mainly in Corio and Norlane; with some properties in Lara, Belmont, Whittington, Hamlyn Heights and Bell Post Hill. The Cooperative has been operating since 1984 and currently provides housing to approximately 154 people. The membership is undertaking a review on future directions (based on changes to state funding for housing provision) which include whether to register the Coop as a Housing Provider or Housing Association.

Victorian Housing Associations, with properties in the G21 area.

Association	Area	1 br	2 br	3 br	4+	Other
Melbourne Affordable Housing Ltd	3220		8			
	3220-Newtown		5	2		
	3214- Norlane	5				
Yarra Community Housing Ltd	3220-Newtown	22				
Loddon Mallee Housing Ltd	3220		3			
Supported Housing Ltd	3250	1	1			2 x 5 br staffed accom' 1 x 7br staffed accom'
Total		**28**	**16**	**2**		**3**

Specific Groups. Across the region there are a number of accommodation providers for people with specific needs such as for those people requiring high level support and care, right through to independent housing options for people experiencing homelessness, or those people requiring independent long term accommodation.

The range of accommodation options and support services may include, but are not limited to:
- Short term or respite care, nursing homes and hostel accommodation for older people.
- Permanent care for older people.
- Supported accommodation, for young people, families and individuals- crisis and long-term.
- Adolescent community placements.
- Housing Establishment Funds (HEF) & Bond Loan schemes.
- Specific accommodation and support for people with disabilities, illness and experiencing mental health difficulties.

Some of the providers target specific geographical areas or suburbs while other organisations can offer assistance across the State, Region, Sub-Region or LGA.

1.4 What commitments G21 Local Governments have made over the past two years.

1.4.1 Surf Coast Shire

Surf Coast Shire adopted a Housing Strategy in 2007, which calls attention to affordable housing as a significant objective of the Plan.

Key Recommendations:
- Support and participate in a G21 Affordable Housing taskforce
- Contribute to strategies defined by the taskforce in relation to regional or LGA area.

Surf Coast Shire Housing Strategy Implementation Plan

Objectives:

- Objective 1.1: Environmental and Landscape Values

- Objective 1.2: Agricultural Values

- Objective 1.3: Sustainable Urban Development

- Objective 1.4: Sustainable Building Design

- Objective 1.5: Managing Risk Associated with Development

- Objective 2.1: Understand the demand for and supply of affordable housing in Surf Coast Shire

- Objective 2.2: Affordable Housing Supply

- Objective 2.3: Social Housing Provision

- Objective 2.4: Crisis and Transitional Housing Provision

- Objective 2.5: Economic Development and Affordability

- Objective 3.1: Housing Diversity in Central Locations

- Objective 3.2: Housing Diversity in Subdivisions

- Objective 3.3: Adaptable Housing

- Objective 3.4: Elderly, frail and disabled persons accommodation

- Objective 4.1: Water Provision and Management

- Objective 4.2: Physical Infrastructure Provision

- Objective 4.3: Social and Community Infrastructure and Planning for Health and Wellbeing

- Objective 4.4: Open Space and Pedestrian and Cyclist Linkages

- Objective 4.5: Public and Community Transport

- Objective 4.6: Traffic management

- Objective 5.1: Neighbourhood, township and landscape character

1.4.2 Colac Otway Shire

The Colac Otway Shire commissioned an "Affordable Housing Audit" in 2007 which was overseen by a stakeholder reference group; whose expertise and experience assisted in the understanding of affordable housing needs and potential responses in the Shire. The report outlines a number

of strategies for achieving affordable housing in the Colac Otway Shire. The main focus of the following strategies is on what might be the next steps rather than the longer-term objectives. [9]

- Strategy 1 Increasing Local Preparedness and Capacity
- Strategy 2 Developing Affordable Housing Relationships
- Strategy 3 Protecting those who cannot Compete
- Strategy 4 Increasing Availability and Affordability
- Strategy 5 Sustainability

1.4.3 The City of Greater Geelong

- Affordable Housing discussion paper developed. March 2005

- Affordable Housing Assistance, Report to Council. December 2006.

  - In collaboration with G21 and interested housing organisations support the establishment of an Affordable Housing Committee,

  - Investigate the opportunity to establish an Affordable Housing Association in the G21 region,

  - Identify partners and ongoing funding sources to undertake an annual affordable housing needs study.

- Housing Diversity Strategy, adopted by Council in July 2007.

  The 2007 Housing Diversity Strategy explicitly supports the development of a more diverse range of housing types and densities across the CoGG, particularly in areas around public transport infrastructure and places of activity.

  Whilst the strategy is not directly concerned with affordable housing, it is noted that a more diverse range of housing types - particularly increased supplies of medium and higher density housing – is required to meet the City's existing and future housing needs.

  The strategy also provides clear policy support for the re-development of public and community housing as part of urban renewal initiatives.

1.4.4 The Borough of Queenscliffe

Council's Economic Development Strategy (2006) includes a chapter entitled 'Attract Working Families' which refers to the lack of available housing for families.

Information sessions on affordable housing have been presented to Council's Community Development Advisory Committee by the Office of Housing and the Loddon Mallee Housing Services Ltd.

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[9] Colac Otway Affordable Housing Audit June 2007.

1.5 What commitments have other local government authorities made to the provision of affordable housing?

While the provision of affordable housing has never been a responsibility of local government in Australia, it has not been uncommon for individual municipalities to become involved in response to particular local needs and circumstances.

Over the last decade this participation has become more common and an increasing number of local government authorities are assuming a more active role in facilitating affordable housing outcomes and, in a small number of instances, investing in affordable housing initiatives. There are very few municipalities however, which go so far as to directly provide affordable housing.

- The City of Port Phillip is perhaps the best known of all local government authorities across Australia for its long term commitment to affordable housing provision. Through a series of joint venture agreements with OOH it has developed portfolio of approximately 400 dwellings for low income residents of the City which is managed by an independently incorporated Port Phillip Housing Association.

- The City of Melbourne facilitated the establishment of the Inner City Social Housing Company which recently merged with Ecumenical Community Housing to form Melbourne Affordable Housing. The company acts as the Trustee of Inner City Social Housing Trust and Ecumenical Housing Trust. Council also provides a rate rebate to affordable housing projects.

- The City of Moreland has agreed to establish a Moreland Housing Trust but rather than set up its own trustee company has appointed MAH as the trustee. Council has agreed to inject $3M in to the Trust and cooperate in the development of 3 Council owned sites for mixed private and affordable housing.

- The Shire of Macedon Ranges has built up a portfolio of affordable housing through a series of joint ventures with OOH over the years and currently directly provides approximately 100 dwellings. The assets are held by Council and Council employs its own Housing Officers.

- The City of Greater Bendigo has taken a traditional arms length approach to affordable housing but over recent years has developed a relationship with the Bendigo based Loddon Mallee Housing Services. LMHS is a registered AHA and Council's support includes participation in the governance of the Association and providing land for affordable housing development.

- Waverley Council in NSW has a long established commitment to affordable housing expressed through the application of density bonus scheme which generates affordable housing units in larger scale developments. These may be owned be Council or the developer but are managed by the local Housing Association (SWISH Coop Ltd).

- The City of Sydney imposes a Development Levy on all land in the Citywest and Green Square development precincts. The funds raised through the levy accrue to City West Housing, a non-government affordable housing company set up a decade ago through a partnership between the State government and Council. Funds are subsequently invested in affordable housing projects in the precincts which are owned and managed by City West Housing.

- The City of Brisbane has worked in partnership with Housing Queensland to establish a new non-government Brisbane Housing Company. Council has committed $10M to the company while the State government has promised $40M over the next ten years. Council is also exploring the potential of a development levy to raise funds for the initiative. BHC is currently developing its fourth project.

- The City of Newcastle was involved in a major affordable housing project supported through the Building Better Cities program of the early 1990s. Currently it is developing a new affordable housing strategy including an investigation of the appropriateness of using Council owned sites for the purpose.

- The City of Wollongong has undertaken a number of one off partnerships with the department of Housing and Housing Associations in the past and is currently developing a more strategic approach. Previous mechanisms applied include grant funding and the waiver of fees.

- The City of Subiaco recently completed an affordable housing strategy and is currently setting up an affordable housing trust into which it plans to direct all Council financial support for affordable housing. Council is also negotiating with the largest Housing Association in the State (City Housing) to take responsibility for the management of the Trust.

This brief overview of developments around Australia indicates an increasing trend, particularly amongst inner city and major regional centre municipalities, to adopt a deliberate and strategic role in facilitating affordable housing development within their municipality. This increased involvement is premised on the broader role of Council as strategic planner and the importance of a diverse supply of housing types and prices to support a diverse labour market which in turn underpins local economic development.

The roles taken on by these Council's includes identifying affordable housing need, advocating State government support for affordable housing initiatives, utilising their planning powers to provide a range of supportive mechanisms for affordable housing projects and partnering with a recognised and competent community Housing Association.

This approach ensures that while Council plays a strategic role it does not assume any responsibility for the provision of affordable housing or primary responsibility for policy development and funding. The partner Housing Association is responsible for delivery while the State government retains the principal responsibility for policy, funding and regulating the providers.

Part 2: Opportunities

2.1 Objective of an affordable housing strategy

Each of the five Councils within G21 has recognised that the growing crisis in the supply of affordable housing across the nation is also affecting their municipalities. In response they have, under the framework of G21, established an Affordable Housing Taskforce. At a forum conducted on May 21, 2007 the Terms of Reference for the Taskforce were agreed.

The goal of the Taskforce is to foster and undertake actions that will support the growth and development of affordable housing across the region. The key objective of the initiative is to increase the supply of appropriate housing to low income households in the region at a cost which they can afford relative to their income.

It is expected that a successful strategy will address the needs of both very low income households reliant on statutory incomes and low wage individuals and families who are key to the growth of small and medium sized business within the region. It is also expected that the strategy will encompass rental and ownership options.

The Terms of Reference for the Taskforce also identify three immediate tasks:

- Undertake a regional housing needs study and publish the trends analysis data

- To develop and communicate a G21 Region Affordable Housing Strategic Plan

- Investigate the establishment of a Housing Association

These three tasks are seen to be interrelated. The housing needs study will inform the strategic plan whereas the Housing Association will be an essential vehicle in implementing key aspects of the strategy.

The danger is that all effort goes into the research and documentation rather than action. For this reason it is important that the G21 group commence the task of developing the vehicle to implement their plans at the same time they are putting together a coherent and coordinated strategy. This becomes even more important in the context of the current opportunities for affordable housing development.

2.2 Opportunities for affordable housing growth

There are a number of current opportunities for affordable housing growth which make it imperative that the G21 municipalities identify a vehicle to implement affordable housing projects. The opportunities are:

- The recent Victorian State Budget announced the expenditure of an additional $300M on the expansion of affordable housing supply through registered Housing Associations over the next four years. This is in addition to the $200M which has been invested in affordable housing over the last two terms of the Labour Government. There is little doubt that Housing Associations will become the vehicles for growth into the future rather than direct public housing provision.

- The Victorian Government has also committed to the renewal of a number of public housing neighbourhoods in order to address the social and economic disadvantage which is concentrated in these areas. Within the G21 region there are large concentrations of public housing in Corio-Norlane, Whittington and Colac. Considerable research has been undertaken on Corio-Norlane and the State budget committed $40M to the redevelopment of public housing in the area as a way of starting an urban renewal process. It is expected the funds will be invested through a registered Housing Association in an effort to introduce a place based manager to the area.

- Some of the municipalities in G21 has or is developing a Housing Policy. These policies generally identify housing affordability as an issue and commit Council to supporting and facilitating the development of new affordable housing initiatives within the municipality but legitimately stop short of accepting responsibility for its delivery. They need a partner organisation capable of accepting what support Council can offer and assume responsibility for delivery.

▪ Some of the municipalities in G21 are in the process of considering new land releases for future residential development. These represent an opportunity for achieving affordable housing outcomes. However if such objectives are to be imposed on new developments then the private developers will need partner organisations capable of assisting them to deliver the affordable housing component.

Each of these opportunities leads to the same conclusion – the G21 region needs a specialist affordable housing development agency capable of working with each Council on the implementation of their affordable housing strategies, is registered by the Registrar of Housing and can therefore access state government funding, and has the capacity to work in partnership with private developers to deliver affordable housing outcomes where they are a requirement on development control plans.

This makes the establishment of a recognised G21 Housing Association an immediate priority for the region.

2.3   Housing Association - key ingredient for growth

A Housing Association is a special purpose, not-for-profit, commercially oriented, independent housing organisation.

As a special purpose vehicle its core business is:

▪ The development of affordable housing projects; and

▪ The management of an affordable housing portfolio.

The not-for-profit status means that government and community organisations can have the confidence that any investment they make in the organisation will be invested in the provision of a socially beneficial outcome.

Their commercial orientation enables them to do business with the private sector such as joint ventures with developers, construction contracts with builders and loan funding from banks. However it also provides governments and community groups with the assurance that any projects they partner in will be financially sustainable.

The independent status of Housing Associations is important for local government in that it places them at arms length and avoids the difficulty for Council in becoming directly involved in the provision of affordable housing. On the other hand by only dealing with registered Housing Associations a Council can be assured that the State government is constantly monitoring the performance of the Housing Association with respect to:

▪ Housing outcomes

▪ Financial performance

▪ Quality of service provision

Under the Housing Act the Registrar of Housing has significant powers to intervene in the situation where a Housing Association fails to meet defined standards.

A Housing Association meets all of the criteria for capitalising on the opportunities for growth in the supply of affordable housing identified above for the G21 region.

2.4   Existing Housing Associations

Currently, there are seven registered Housing Associations in Victoria and a number of do have some presence in the G21 region.

▪ Community Housing Ltd: a state-wide organisation predominantly serving the south-east of Melbourne and the Gippsland region but which has some properties in Geelong and at one stage expressed interest in opening an office in Geelong.

▪ Supported Housing Ltd: a state-wide organisation which gives priority to housing people with a disability through partnerships with clients support provider. SHL also has some presence in Geelong and has investigated other development opportunities recently without success.

- Melbourne Affordable Housing: an amalgamation of Inner City Social Housing (originally established by the City of Melbourne) and Ecumenical Housing (originally auspiced by the Victorian Council of Churches) MAH operates predominantly in the inner suburbs of Melbourne but does have three projects in Geelong involving a total of approximately 30 dwellings.

- Port Phillip Housing Association: originally linked with the City of Port Phillip, PPHA was placed at arms length to Council as part of the process of registration of PPHA as a Housing Association under the Act. It currently operates only in the City of Port Phillip but has indicated its intention to commence development in the inner south of Melbourne.

- Loddon Mallee Housing Services: the only non-metropolitan based Housing Association has its main office in Bendigo and aims to work across the entire west and north of the State. LMHS has been very active in seeking partnerships with G21 Councils and others across the west of the state recently. They have three dwellings under construction in Geelong and a further 15 planned. They are also exploring a project in Colac at the moment.

- Yarra Community Housing: only recently registered YCH primarily manages rooming houses in the City of Yarra. As part of their registration however they have plans to broaden the type of housing they manage and the area in which they operate. They recently opened a 22 unit development in Geelong.

- Rural Housing Network: registered only in the last week, RHN operates across the north and east of the state with most of its housing along the Hume Highway from Seymour to Wodonga. RHN has no presence in G21 nor has it expressed interest in developing in this area.

It is also understood that Common Equity Housing Ltd is seeking registration and have lodged an application which is currently being assessed. If registered this would become the Housing Association with the largest presence within the region with 228 properties in Geelong.

2.5   Desired characteristics of a G21 Housing Association

Before considering the options G21 needs to establish the key characteristics it is seeking in a G21 focused Housing Association. In addition to meeting the requirements of the Registrar of Housing the Taskforce has identified the following:

- Dedicated focus on the expansion of affordable housing within the G21 region.

- Regionally based office to provide responsive and personal tenancy and property management service to tenants.

- Organisation which understands the G21 regional and sub-regional markets and the differing housing needs of the various communities including students, the aged, low wage earners and seasonal workers as well as those reliant on statutory incomes.

- Commitment to identifying, exploring and securing appropriate development opportunities as they arise in the local market.

- Preparedness to develop and provide a range of products suitable to the local market including affordable home purchase and new affordable rental products as well as more traditional social housing models.

- Organisation which understands and is committed to active participation in the physical, social and economic renewal of disadvantaged public housing estates.

- Commitment to the principles of ESD in the design and construction of dwellings, particularly as they pertain to the long term affordability of housing.

- Organisation which has the trust and respect of each of the municipalities to manage the dual role of each LGA as both partner and statutory planning authority.

- Commitment to retain the assets developed through regional investment within the region in perpetuity.

- Commitment to reinvest the "profits" generated from affordable housing activities back into the growth of affordable housing within the region.

- Willingness to work collaboratively with and accountable to the region through an agreed governance structure.

- Commitment to encouraging and supporting the participation of consumers in the decision making processes of the organisation.

2.6   Options for identifying a G21 Housing Association

There are three options for G21:

- Encourage all registered Housing Associations to do business in the region with each municipality developing partnerships with one or more Housing Associations. This would be similar to what is currently happening but with some encouragement for individual Housing Associations based on the development of affordable Housing Strategies at each municipality.

- Invite expressions of interest from all registered Housing Associations to establish a partnership with all of the Councils in the region through a coordinated G21 initiative. Following a process of negotiation one would be selected and each Council would enter a partnership with the Housing Association based on an agreed framework. The selection criteria would be weighted toward the commitment of the Housing Association to establish a regional presence and the nature of the partnership they would offer.

- Development of a new Housing Association which is locally "owned" and "managed" and which is founded on the commitment of each of the municipalities to work exclusively with that Housing Association in the implementation of municipal projects consistent with a Regional Affordable Housing Strategy.

The first option may achieve very little more than what is currently the case – and it is clear that the G21 region has managed to attract very little of the new state government investment in affordable housing over the last 6 years. Without a Housing Association which is based in and committed to the region there will only ever be the occasional opportunistic project which is very unlikely to have the input of local municipalities other than the normal statutory planning approvals.

In relation to the second option it could be expected that 4 or 5 of the Housing Associations would be interested in the concept of a partnership with G21, particularly if it included a direct relationship with each of the municipalities and a commitment to implement local affordable housing strategies.

However, most of the Housing Associations are growing rapidly and are extremely busy trying to consolidate their existing structures and recruit skilled staff. While they will be very attracted to the concept of a G21 partnership they may find the characteristics listed above too high a benchmark. They represent a significant partnership which would require a lot of resources to develop and maintain. Existing Housing Associations are more likely to want a partnership on their terms.

This leaves the third option – developing a new regionally based Housing Association. If this was to be successful it would need to take account of existing and future policies and strategies within the affordable housing sector being promulgated by the state government.

While there has been no statement about a maximum number of Housing Associations there is recognition that the level of growth that government is likely to fund implies that they will not encourage the registration of too many more. A maximum of about 10 is considered sustainable. Currently there are 7 and we understand that there are 2-3 applications being considered.

This means G21 would have to act promptly if it was to make an application in a positive environment. On the other hand only two registered Housing Associations are non-metropolitan based and politically it would be advantageous to have another, particularly from Geelong.

The Housing Act allows two levels of registration – Housing Providers which are accredited to manage government owned public housing but which do not get access to growth funding and the Housing Associations which receive the growth funding and are most likely in the future to be the recipients of stock transfer from the state. While all organisations which manage stock owned by the Director of Housing will have to be registered as Housing Providers within the next 2-3 years it is likely that pressure will mount for such organisations to merge with or handover their stock to Housing Associations.

This implies that any attempt to establish a G21 based Housing Association will have a much higher likelihood of success if it involves the incorporation of some or all of the existing small providers in the region. While this is likely to meet with initial resistance as time progresses it could be expected that the smaller providers will see this as a positive option.

2.7 Proposed way forward

The proposed way forward therefore is the establishment of a new G21 Housing Association. Its successful establishment will depend upon the development of a strategy based upon:

- Incorporation of regionally based small housing providers

- Partnership with OOH Regional Office in the implementation of place based management of large scale public housing estates as a component of neighbourhood renewal

- Partnership with each of the LGA's in the region through which the Housing Association will take the lead in implementing affordable housing projects which achieve affordable housing objectives within local planning schemes

- Building a capability to undertake housing development projects in its own right or in partnership with private developers

This proposal begs a number of questions:

- What role is expected of local government?

- How can a Housing Association be accountable to the region?

- How can the Victorian government be brought on side?

- What are the next steps?

These are the subject of Section 3.

Part 3: Issues

3.1 Local government contribution

The development of a new Housing Association requires considerable effort and a sound business case as well as meeting all of the performance criteria spelt out in the Housing Act. However in the current climate where there will be some pressure to convince the state government of the need for another Housing Association it will be the political significance of the proposal which is likely to be the most important key.

From this perspective it will be the commitment of the 5 local government authorities which make up G21 which will make this an attractive proposition for the state government. Council commitment however does not mean Council responsibility. It is possible for a Council to make a substantive contribution to the development of affordable housing within the municipality without assuming the responsibility (which it does not have) or diminishing the responsibility of the state government.

The key contributions which each Council can make are:

- Agree to the transfer of all properties developed through partnership with the Victorian government under such programs as the Local Government & Community Housing Program or the Community Housing Program (whether they be managed by the Council or whether they be managed by OOH with Council retaining nomination rights) to the new Housing Association.

- Identify Council owned dwellings which are underutilised and explore the transfer, sale or development of such assets in partnership with the new Housing Association.

- Identify Council owned sites which are suitable for the development of affordable housing or mixed private and affordable housing and commit to undertaking a feasibility study on the development of the sites in partnership with the new Housing Association. (This does not exclude Council receiving a financial return from the disposal of the asset).

- Identify State government owned property in the region and assist the new Housing Association to assess their potential for development as affordable housing and subsequently, where appropriate, assist the Housing Association to negotiate the release of such land to the Housing Association for development as affordable housing.

- Identify privately owned sites zoned residential which are suitable for affordable housing, assist the Housing Association to undertake a feasibility study on the development of the site and, if appropriate, facilitate an introduction between the site owner and the new Housing Association.

- When assessing applications for large scale residential and or commercial development consider negotiating or imposing an affordable housing requirement as a condition of approval with the developer and facilitate an introduction between the developer and the new Housing Association.

- When considering applications for rezoning from rural or industrial to residential land use consider the imposition of an affordable housing inclusionary zoning requirement and/or development contribution as a condition of the approval of the development concept plan and facilitate an introduction between the developer and the new Housing Association.

- Resolve a protocol for the granting of development concessions, such as density bonuses and car parking waivers, to the proponents of affordable housing developments.

- Ensure affordable housing objectives, strategies and requirements are clearly set out in the relevant Planning Schemes, to deliver certainty and consistency to affordable housing providers and the wider development community.

- Identify underutilised property such as shop tops, caravan parks, and holiday homes and promote the new Housing Association as a potential lessee of these properties for use as affordable housing.

These local government contributions could be outlined in the proposed G21 Affordable Housing Strategy and subsequently articulated in an Affordable Housing Plan developed by each Council.

This would need to be accompanied with appropriate amendments to respective planning schemes to provide the rationale for the imposition of affordable housing inclusionary zoning or development contributions.

3.2   Clarifying Governance arrangements

The significant role and commitment of each Council and yet the independence of the Housing Association raises important questions over the accountability of the Housing Association to each Council for the support provided. There are two key questions to be addressed:

▪   What would be suitable ownership and governance arrangements for the new Housing Association?

▪   What security can be put in place to protect the interest of Council for any asset transfer or financial investment it might make in the Housing Association?

In response to the first question the Housing Act requires that a Housing Association must be:

▪   Incorporated as a Company Limited by Guarantee

▪   Not-for-profit (i.e. pay no dividends or distributions to members)

▪   Registered as a Tax Concession Charity

These requirements ensure that the Housing Association will be regulated by both ASIC and the ATO.

In addition the Registrar of Housing has established performance standards which a Housing Association must meet if it is to retain its registration. These include the capacity of the Directors to govern the business and the governance policies which they apply to the carrying out of their business. It can be safely assumed that a registered Housing Association will be held accountable for good governance.

The most important part of the issue therefore is the ownership of the company and the process for the appointment of the Board of Directors. The constitution of the company could be constructed with one class of members being participating Councils and that these members retain specific rights such as consultation on the annual business plan and the appointment of some directors. Accountability and responsiveness to local government can therefore be addressed via the constitution of the company.

The second question relates to securing a financial interest in property owned by the Housing Association (or a financial benefit provided to the Housing Association by way of the planning scheme). The critical interest of Council is to ensure that the Housing Association continues to apply the financial benefit or property for the purpose for which it was provided.

The Registrar of Housing can be relied upon to ensure that Housing Association assets are used for the purposes of affordable housing. Under the Housing Act the Registrar can register an interest in land owned by a Housing Association and retains significant powers if the land is not used for the right purpose.
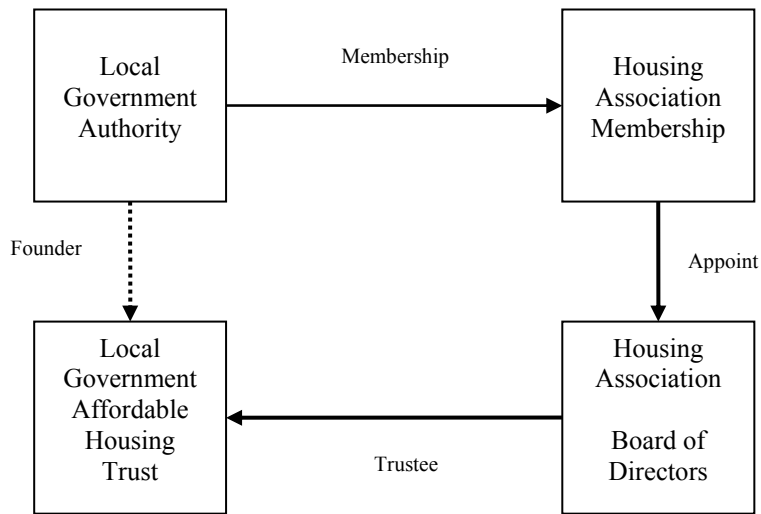
The one issue that the Registrar cannot assist Council with is ensuring that the benefit of any assistance provided to the Housing Association is retained within the municipality in perpetuity. This can be overcome by registering an interest in each title in which Council has an interest (accepting that such an interest will always be behind any bank which has provided debt finance for the project and the Registrar of Housing if state government funds have been provided).

A more strategic approach is the development of a Local Government Affordable Housing Trust into which Council invests all contributions – whether it is a property transfer, development contributions or the benefit of an inclusionary zoning requirement. This is the approach taken by the City of Port Phillip which established the City of Port Phillip Housing Trust and subsequently appointed the Port Phillip Housing Association (now independent of Council) as trustee. The terms of the Trust Deed address the specific requirements of Council for the assets it transferred to the Trust (which had a value of approximately $30M).

Thus the questions of accountability and protecting Council interests can be addressed through the structure of the Housing Association. They present no obstacle to progressing the proposal. A

possible structure for the relationship between a Council and the Housing Association is presented in the diagram below.

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┌──────────────┐   Membership   ┌──────────────┐
│    Local     │───────────────▶│   Housing    │
│  Government  │                │ Association  │
│  Authority   │                │  Membership  │
└──────────────┘                └──────────────┘
       ┊                               │
  Founder┊                         Appoint│
       ┊                               │
       ▼                               ▼
┌──────────────┐                ┌──────────────┐
│    Local     │                │   Housing    │
│  Government  │                │ Association  │
│  Affordable  │◀───────────────│              │
│   Housing    │    Trustee     │  Board of    │
│    Trust     │                │  Directors   │
└──────────────┘                └──────────────┘
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3.3   Requirements for registration as a Housing Association

There are essentially three key requirements for achieving registration as a Housing Association:

- Demonstrated capacity to manage affordable housing
- Demonstrated capacity to develop affordable housing
- Sound business case for the growth of affordable housing

Management capacity can be achieved through a number of initiatives:

- Building on the capacity of existing housing providers which are incorporated into the new Housing Association
- Working closely with the Regional Office of Housing, particularly in the Housing Associations involvement in neighbourhood renewal initiatives
- Purchasing training and policies and procedures form one of the existing Housing Associations
- Employing suitable qualified and experienced staff

Similarly development capacity can be achieved through a number of strategies:

- Engaging an appropriate project management company from the private sector to provide a service for a period of time until the skills are developed in-house.
- Engage an existing Housing Association to provide the service for a period of time until skills are in-house.
- Employing suitable qualified and experienced staff

The most important step however is to put together a sound and robust business plan which not only articulates how the Housing Association will acquire management and development capabilities but also outline a fully costed plan for the development of an affordable housing portfolio including:

- the consolidation of existing housing providers
- participation in neighbourhood renewal
- the development of new affordable housing projects through collaboration with local government

The development of this business case will require:

- time – from 6 to 12 months

- money – as much as $200,000 to $300,000 depending on how much of the feasibility studies can be undertaken on an in-kind basis

- cooperation from existing housing providers – they will need to provide a clear indication of their interest and if so considerable information on their portfolio and financial position

- cooperation from Councils – they will need to consider their involvement, confirm the contributions they are to make, and work collaboratively with the business planning team to identify opportunities and undertake feasibility studies

- cooperation from the Regional OOH – they will be required to assist in the identification and negotiations with existing community housing providers and in identifying opportunities for and agreeing levels of involvement in neighbourhood renewal in public housing estates

3.4   Recommendations for action

In order to progress the development of the G21 Housing Association the following steps are required:

- G21 Affordable Housing Taskforce conduct a workshop with regionally based community housing providers to outline the proposal to them and evaluate their level of interest.

- G21 Affordable Housing Taskforce meet with senior management from the Barwon South West office of DHS to discuss this paper and identify their level of support for the proposal outlined in this paper.

- G21 write to each of the participating Councils and request a response to the proposal outlined in this paper. In particular they would be asked:
  - Do they support the establishment of a G21 Housing Association?
  - Which of the contributions outlined in section 3.1 of this paper would they be prepared to commit to?
  - Do they support the G21 Affordable Housing Taskforce taking the responsibility to develop the G21 Housing Association?
  - What level of funding are they prepared to commit to the development of a business case for the Housing Association?
  - Will they cooperate with the business planning team to identify potential affordable housing projects within their municipality and assist in undertaking feasibility studies on the sites?

Once the first three steps above are completed then G21 can move to the next two.

- G21 raise the funds necessary to undertake the development of the business case for the G21 Housing Association.

- G21 appoint a suitably qualified consultancy team to:
  - Work with the G21 Affordable Housing Taskforce to develop the business case for the Housing Association
  - Consult with participating Councils on the governance arrangements for the Housing Association and preferred mechanisms for protecting their interests
  - Work with Council officers to identify affordable housing development opportunities and undertake feasibility studies where appropriate
  - Negotiating with community housing providers in relation to their potential participation in the Housing Association
  - Negotiate with the Regional Office of OOH in relation to the participation of the Housing Association in neighbourhood renewal
  - Negotiate with Registered Housing Associations in relation to their preparedness to assist in the development of the G21 Housing Association

Assuming the response from Councils is positive the next step will be the development of a work plan in consultation with the appointed consultancy team.

Once the consultancy team is appointed it should be recognised that the development of the Housing Association will be iterative – the development of the legal structure, the commencement of individual projects and the consolidation of existing providers will overlap. These processes are messy and cannot be clearly mapped out.

The task of the consultancy team is to get the Housing Association up and running – this will involve writing a Business Plan – but a document is not the primary outcome sought. The document must articulate the emerging business of a working Housing Association and result in registration of the organisation under the Housing Act.

But the first step is for every key stakeholder to get on board!