

Conference Report

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The Community Housing Federation of Victoria Conference 2011, From Acorn to Oak: Creating the blueprint for the growth of community housing in Victoria.

This conference presented a unique opportunity for the Community Housing Sector the State Government and the investment community to enter into a preliminary dialogue about how more affordable housing options in Victoria and Australia can be created.

CONTEXT

The past five years has been a time of incredible change for the Community Housing Sector in Victoria. The changes have provided unparalleled opportunities for the growth of the sector, both in terms of the numbers of properties managed, and also a continued enhancement of the professionalism and capacity of the sector to deliver major projects.

The Community Housing Sector consists of larger scale Registered Housing Associations, registered housing providers, and other providers. The diversity and variety of the different models has meant that unique tenant needs are able to be met through the provision of tailored housing options. This distinctive capacity is recognised by State and Commonwealth Governments, who have continued to encourage the sector to deliver housing options to Australians in need, and who have assisted our sector to grow over the past few years.

Following successive State and Commonwealth funding initiatives between 2005 to 2011, including \$310 M State Social Housing Investment Fund, \$650 M Commonwealth Nation Building Economic Stimulus, and the transfer of title of 570 properties from the State Government, the Community Housing Sector has been able to invest over \$200 M to provide more homes.

Through the delivery of the Economic Stimulus in Victoria, community housing providers contributed 25% of project costs, *leveraging* the value of the completed project to raise additional funds to deliver more housing. For every \$1 invested by the tax payer, \$1.25 worth of housing was delivered. Following this investment there is no indication of new capital in State or Commonwealth budgets or forward estimates, for the Community Housing Sector.

CONFERENCE PURPOSE

The CHFV Conference 2011 tasked itself with the responsibility of *creating the blueprint for the growth of community housing in Victoria*. Key stakeholders representing the gambit of community, government and financial sectors gathered to evaluate the various topics throughout the sessions on the day. There were several key questions posed to conference speakers and panellists. Each of these was designed to build a narrative from which the sector can move forward with a clear vision of how to achieve its stated purpose of providing “quality, affordable rental homes for fairer and better communities”.

CONFERENCE OPENING – SETTING THE SCENE

The Minister for Housing, the Hon Wendy Lovell MLC opened the conference. The occasion represented the biggest opportunity for the Community Housing Sector to engage directly with Minister Lovell and the Coalition Government since their election in November 2010. The government have emphasised a number of aspirations about Public and Community Housing in the state, and have focussed heavily on the importance of the delivery of an efficient and well run system.

The Minister expressed her support for the Community Housing Sector, and the Government’s aspiration for a Public Housing system that will provide tenants with the support they need to be able to transition to greater independence, saying “... we think that for many people, Public Housing should be a tenure of transition towards greater self-reliance and independence, rather than an end destination.”

CHFV CEO Jacqui Watt outlined her vision for the CHFV Conference. She spoke of the housing affordability crisis and the lack of affordable homes across the country, together with the large number of people waiting for Public and Community Housing, and the need for the sector to find new market based solutions to address the need. The clear purpose of the conference is for the sector to find new and different ways to grow the number of accessible and affordable rental homes.

The conference, also served as an excellent opportunity for Housing Associations and Community Housing Providers to showcase the remarkable work undertaken by the sector. Community Housing has delivered projects on time and on budget, and is achieving great results for tenants by ensuring that people no longer have to worry about the basic necessity of a roof over their head.

An important tool utilised by the Community Housing sector is the *Social Return on Investment (SROI) studies* undertaken to examine the social value of capital projects. Social Ventures Australia recently undertook an examination of Victorian Women’s Housing

Association (VWHA), finding that VWHA and its partners have created \$30.36 M in Social and Economic value from a \$7.45 M investment.

The intrinsic value in Community Housing was certainly reinforced by all the speakers who opened the conference. This also included an emotional delivery from AFL Legend Kevin Murray who described the challenges of finding secure, housing after the loss of several homes across his lifetime which included losing his Flowerdale property in the Black Saturday bushfires. He described himself as a 'survivor' but told delegates there were an enormous number of Victorians who were vulnerable to housing insecurity.

Saying, "You've done a great job to this point, but it's only a drop in the ocean. There are many, many tens of thousands of Victorians out there who are relying on you to get this right and keep growing the number of community homes."

The political reality emerging from Canberra and Spring St is that both Governments are facing challenging times with deficits that they wish to cut over the next few years. The capital investment in Community Housing experienced in the last five years was a *one-off*, and is not likely to be repeated in the near future. The Community Housing Sector has built up an incredible capacity to deliver projects, and has now developed a craving to grow and to deliver more housing to those in need. It is now incumbent upon the sector to find new and innovative ways to find alternative market based solutions to the lack of funding.

CONFERENCE DISCUSSIONS

After a day of concentrated discussion on the development of future funding streams, the CHFV Conference 2011 has successfully laid out a framework upon which the Community Housing Sector can begin to progress its agenda of creating sustainable, long term funding streams to increase the supply of community housing in Victoria.

The conference consisted of four discussions which covered the key areas for consideration by the panellists and the delegates. These topics included:

- Funding the future of community housing.
- How do we make a whole of government approach work?
- Financial models within community housing. What can be realised?
- Alternative market solutions to funding growth.

The core questions reiterated throughout each of the conference panels were: How do we deliver more Community Housing to provide for the needs of the growing numbers of Victorians living in housing stress if government funding is not available? And as a consequence, how can Community Housing be an attractive investment opportunity for the private sector?

The six key issues identified as being critical to address to smooth the way forward for private sector institutional investors to consider Community Housing as a feasible investment opportunity include:

1. *Taxation and planning reforms that would increase returns to institutional investors;*
 - Treatment of entry/exit costs, stamp duty and capital gains;
 - Planning policy reform to lower the cost and risk associated with the current planning scheme;
 - Strategic land releases in appropriate areas to facilitate well placed, sustainable investments that promote positive social outcomes.

2. *Addressing property investment costs that currently reduce returns;*
 - Address the distortions to the property market created by negative gearing;
 - Potential for tax concessions and credits for institutional investment in Community Housing;
 - Government to consider efficiency impact of increasing reporting and regulation through various departments of State and Commonwealth Governments.

3. *Continued collegial engagement of Government to provide funding and regulatory support to the Community Housing Sector;*
 - Campaign for continued capital grants with guaranteed funding horizon to address the inadequacy of supply of affordable homes for those on the lowest incomes;
 - Strong asset transfer program to provide basis for future leveraging against asset value and rental income, for the renewal of infrastructure and to maximise community benefit;
 - Proper consideration of mandated inclusionary zoning to ensure developers in the private market contribute to a sustainable housing market;
 - Re-engineer the relationship between Public Housing and Community Housing as the two providers;
 - Consideration by State, and Local Governments of land grants or crown leases as a way of contributing to future Community Housing projects.

4. *Operating at scale both in terms of investment opportunity and organisationally for efficiency and lower risk;*
 - Use government infrastructure projects as a model to create large scale investment opportunities for private investors between \$200 and \$500 million;
 - Potential for pool funding pitches, requiring greater cooperation and coordination of Housing Associations and other Community Housing Providers;

- National regulation supporting investment, including superannuation regulations which will make it easier for the industry to invest in the Community Housing Sector.
5. *Exploring new financial mechanisms such as property bonds and debt securitisation;*
- Community Housing Sector to develop greater understanding of investor concerns and the need to create an attractive product to the market;
 - To advocate for the examination of the real effect the first home owners grant on housing affordability and the property market;
 - Potential for property bonds to be created and underpinned by the Government to allow for a lower risk investment and security for investors and allow for debt securitisation;
 - National Rental Affordability Scheme (NRAS) to be extended in collaboration with the Community Housing Sector to deliver best possible outcomes.
6. *Targeting attractive returns relative to other low risk investment opportunities.*
- Community Housing to develop target to return between 6-9% after CPI as part of the formulation of an attractive product for the financial sector;
 - The promotion of the key financial credentials of the sector and capacity for growth as proven by the strong regulatory framework of the Housing Registrar;
 - Educate the market on the value of the product to ensure there are no misconceptions or false assumptions of the security of tenure and rental incomes in Community Housing;
 - Community Housing to provide clear contractual agreements and documentation to prove their credentials to prospective investors.

KEY LEARNINGS

At the conclusion of the conference CHFV CEO Jacqui Watt observed that “one of the major strategic themes that came out was the importance of creating a vision where a whole-of-sector approach fosters government funding, inter-government agency cooperation, and private sector investment.”

The lack of quality affordable rental homes is something that needs to be addressed urgently. The Community Housing Sector is willing to do its bit to address the problem, however the Government must assist to remove barriers to growth. In addition to this another major theme that emerged is the importance of educating the finance sector to understand the underlying financial strength of Community Housing Organisations and that the vast majority of rents are being paid through government agencies.

In making his closing remarks, the CHFV Chair John McInerney was blunt in his assessment of Victoria's current housing situation and the housing affordability crisis that has currently engulfed the State.

"If after two decades of sustained economic progress, we see that there are still about 30% of Victorian households living under significant financial stress to keep a roof over their heads, then the housing system operating in Victoria is not working," he said. "The operation of a functional and transparent Public Housing system together with a growing and vibrant Community Housing Sector whose fortunes don't fluctuate based on economic or political cycles is critical to our success, and Government must participate in making this a reality."

The conference also found that if the Community Housing Sector hoped to attract institutional investment from banks and superannuation funds in order to fund growth, Government must enable this to occur by removing the barriers to private sector investment. This also needs to be complemented by the Community Housing Sector presenting a clear business case for potential investment. This includes raising awareness and understanding of our model to ensure that the finance sector better understands the nature and financial viability of Community Housing.

The CHFV conference 2011 has proved key to shaping the future discourse and thinking of the Community Housing Sector, in relation to approaching Government and the investment community with plans for future growth.