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PROCURING SOCIAL & AFFORDABLE HOUSING



> *Improving the suitability, supply and provision of housing infrastructure is needed to address current issues of affordability and access. Dr Judy Kraatz, Dr Mariela Zingoni de Baro and Dr Nirodha Jayawardena let us in on their latest research intended to help achieve this end.*

In our current Sustainable Built Environment National Research Centre (SBEncr – www.sbenrc.com.au) research, we are seeking to identify the strengths and weaknesses of various social procurement approaches for social and affordable community rental housing in Australia. As an outcome of this research, a set of social procurement criteria will be developed to assist those responsible for both policy development, and asset and service delivery.

This research builds on the research already undertaken in our Rethinking and Valuing Social Housing projects, which has also provided the methodological underpinning, including consideration of impacts across nine domains:

1: COMMUNITY	6: HEALTH & WELLBEING
2: ECONOMY	7: HOUSING
3: EDUCATION	8: SOCIAL
4: EMPLOYMENT	9: URBAN AMENITY
5: ENVIRONMENT	

Additionally, the Rethinking and Valuing Social Housing research established a productivity-based conceptual framework that highlighted productivity benefits from four angles:

1. The individual;
2. Macroeconomic;
3. Fiscal; and
4. Non-economic (such as social and environmental capital).

Our current research is investigating the three inter-related areas of demographics and typologies, social procurement, and funding and financing models. Literature and documentation has been reviewed from Australian Housing and Urban Research Institute (AHURI) and other national academic and industry sources from the UK (especially HACT UK), the European Network of Housing Researchers, the Canadian Mortgage and Housing Corporation, and the US National Housing Conference.

“ Has the time come to rethink the traditional distinctions between elements of the housing continuum? ”

An important question raised in the course of our investigation is – has the time come to rethink the traditional distinctions between elements of the housing continuum in order for the government and not-for-profit sectors to better engage with the market and institutional investors? In doing this, and to ensure safe and secure housing remains available to those in need when they need it, we need to:

- (i) Address the types of housing being provided across the spectrum;
- (ii) Better understand the changing nature, needs and demographics of each cohort; and
- (iii) Diversify our housing responses in Australia, seeking innovative and perhaps informal approaches of providing housing that respond to the various needs of different cohorts.

Early findings from our investigation of the demographic and typological research are showing an aging population (estimated to double by 2030), along with complex life course trajectories including divorce, separations, sole parenthood and longer stay of young adults in the parental home.

“ A substantial array of social procurement approaches has been identified to address the current mismatch between housing need and availability. ”

Several key emerging trends have been identified:

- A more holistic approach to achieve resilient, sustainable communities and environments is needed, with long-term planning strategies, policies and processes, where social and affordable housing is embedded in precincts where there is ready access to social services and facilities, public transport, amenities, and green and open spaces;
- Inner city infill is a priority area in capital and large cities, with higher densities in bigger cities that accommodate a broad variety of dwelling types;
- Community engagement and input is increasingly considered to be a valuable resource in decision-making and identifying the real needs of future owners or tenants regarding diversity, flexibility and sustainability of new developments; and
- More resource-efficient social and affordable housing developments are needed and becoming mandatory.

A substantial array of social procurement approaches has been identified to address the current mismatch between housing need and availability. These include:

- Planning mechanisms including inclusionary zoning and value capture;
- Public housing transfers and renewal;
- Housing for remote Indigenous communities;
- Housing for those with a disability;
- Partnerships and joint ventures including City Deals (<https://cities.infrastructure.gov.au/city-deals>);
- Community housing provider models including private rental agencies and rent to buy;
- Shared equity/ownership models;
- Cooperatives;
- Social impact/benefit bonds;

- Build to rent;
- Using vacant infrastructure (e.g. pop-up shelters); and
- The Common Ground model.

Preliminary social procurement criteria, based on research to date, include:

- Benefits/outcomes measurement;
- Timeframe for benefits realisation;
- Agility and responsiveness;
- Scalability;
- Partnership potentials;
- Supply chain maturity;
- Capacity-building needs;
- Integrated service and infrastructure provision;
- Addressing diverse cohort needs;
- Location-specific responsiveness; and
- Building housing pathways; and
- Risk distribution.

A long-standing challenge in enabling social and affordable housing has been establishing a sufficiently large and continuous stream of funding, which would ideally be predictable, sustainable and responsive in catering for the rising demand. It is evident and well understood that government alone cannot cope with the increasing demand for social housing financing, and there is an urgent need to find innovative ways to fund this need in collaboration with private institutional investors. Key barriers to such investment include:

- Low economies of scale;
- Rental yields and investment returns liquidity;
- Longitudinal investor awareness;
- Stable, long-term government policy settings;
- Regulatory environment and transparency; and
- Project pipeline capacity.^{1 2}

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Governments at all three levels can take a proactive role in addressing current issues by identifying those issues that fall into their jurisdiction including issues of long-term policy setting, transparency and risk.

There has been much recent debate as to how substantial volumes of private finance could be leveraged into this sector. Most widely suggested approaches are:

- The use of retail investment vehicle;
- Tax reliefs targeting Community Housing Providers (CHPs);
- Rent-to-buy models; and
- Shared equity models.

Private investors will need to be confident the risks are transparent and manageable in order to price their involvement

1 AHURI March 2013, 'Financing rental housing through institutional investment' cited in *Affordable Housing Working Group: Issues Paper by Council on Federal Financial Relations*

2 Social Ventures Australia (SVA), *New model for financing affordable housing*, retrieved 10 June 2017, from <http://www.socialventures.com.au/sva-quarterly/new-model-financing-affordable-housing/>

at a level that does not require politically impractical levels of subsidy or guarantees. Different social and affordable housing projects will require different funding mechanisms, with some instruments working better for individual projects, while others performing better on a city, regional or national level. In considering the provision of social financing, financial institutions tend to respond more to legislative incentives, while individuals tend to respond to tax incentives.

“ Financial institutions tend to respond more to legislative incentives, while individuals tend to respond to tax incentives. ”

To provide an adequate level of assistance for those in need of support to maintain safe and secure housing, we need to:

- Look to the future in terms of changing demographics;
- Consider emerging community expectations for housing typologies in the context of social cohesion, community building and resource efficiency;
- Adopt and/or develop a variety of effective social procurement approaches targeted to changing, at times, niche needs that provide housing on land well-located for social and affordable housing developments;
- Develop an appropriate and effective regulatory environment to ensure financially sound and socially responsible investment; and
- Provide sustainable government funding schemes, subordinate loans, guarantees and equity.

■ *Research findings will continue to be posted at our project website, with final reports due in October 2018: <http://sbenrc.com.au/research-programs/1-54-procuring-social-and-affordable-housing-improving-access-and-delivery/>*

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Dr Judy Kraatz is a senior research fellow with the Cities Research Institute at Griffith University. Since 2014, Judy has been leading the Sustainable Built Environment National Research Centre's social housing program of research, building on doctoral research in value mapping and a previous career as a registered architect.



Dr Nirodha Jayawardena holds a PhD in Finance from Griffith Business School. She graduated with a first class honours in Statistics from the University of Colombo, Sri Lanka. Her interests include social housing finance, real estate finance and econometric modelling.



Dr Maria Elena (Mariela) Zingoni de Baro is a research associate and lecturer at Curtin University. She holds a PhD in Regenerative Sustainable Urbanism. Her research interests are on sustainable design applied to affordable housing developments, sustainable communities and urban regeneration.