

Procuring Social and Affordable Housing

Final Industry Report, Project 1.54
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**Sustainable
Built Environment**
National Research Centre

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Preface

The Sustainable Built Environment National Research Centre (SBEnc), the successor to Australia's Cooperative Research Centre (CRC) for Construction Innovation, is committed to making a leading contribution to innovation across the Australian built environment industry. We are dedicated to working collaboratively with industry and government to develop and apply practical research outcomes that improve industry practice and enhance our nation's competitiveness.

We encourage you to draw on the results of this applied research to deliver tangible outcomes for your operations. By working together, we can transform our industry and communities through enhanced and sustainable business processes, environmental performance and productivity.

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The Industry Challenge

Housing is an integrated network of social and economic infrastructure with multiple owners and access points. Improving the overall suitability and provision of housing infrastructure (for example incorporating new typologies to suit changing demographics) is needed to address the central issue of affordability and access for all.

Currently, there is a severe shortage of affordable rental and social housing to properly meet the needs of Australians. State governments, as the main suppliers of social housing, struggle to find the resources to provide the additional properties that are needed to address this shortage and private sector participation is also well below what is required.

In order to improve conditions, on-going access issues to housing and associated support services need to be addressed. New and innovative approaches are required for both social housing for the most vulnerable and affordable housing for others in need. How to better address the social benefits of providing safe and secure housing whilst increasing supply and improving associated services through innovative procurement strategies requires further exploration to balance objectives along the housing supply chain.

This SBEnc research has considered the strengths and weaknesses of various social procurement approaches for social and affordable community rental housing in Australia against the backdrop of parallel research into changing demographics and housing typologies, and funding and financing models. From this, a set of social procurement criteria have been developed to assist those responsible for both policy development, and asset and service delivery with, for example, selecting among projects on the basis of their likely added social benefits.



SBEnc Social Housing Research Program

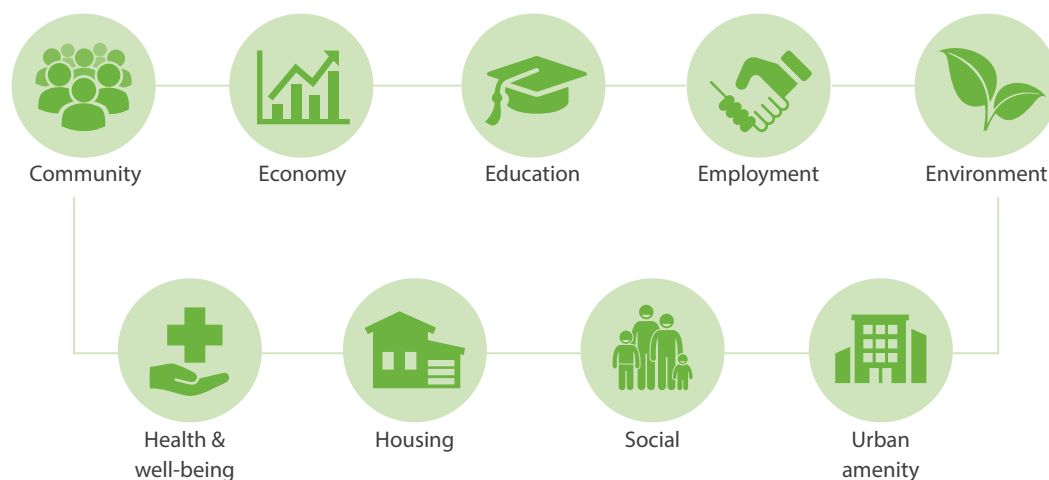
This is the third consecutive project in the SBEnc ongoing program of research in this field.

The Rethinking Social Housing¹ and Valuing Social Housing² projects identified that having access to safe and secure housing brings considerable broad productivity benefits to society, rather than being a cost. Positive impacts for individuals include improved health and well-being, better access to education and employment, and stronger social and community engagement.

This previous research established a productivity-based conceptual framework which highlighted productivity benefits through four lenses: the individual; macroeconomic; fiscal; and non-economic such as social and environmental capital. It also provided the methodological underpinning for the consideration of impacts across the nine domains illustrated below.

Research relating to over 50 outcomes and 160 indicators, and links to academic and industry literature highlighting key associations between having access to safe and secure housing and these broader benefits, along with links to available datasets, were additional key outputs.

A recent appraisal of the uptake and impact of this program has confirmed that this research has actively informed activity in over 15 organisations nation-wide, including government agencies (such as Western Australia Department of Communities, Queensland Department of Housing and Public Works, Victorian Department of Health and Human Services, Queensland Treasury), not-for profit organisations (such as the National Affordable Housing Consortium, Access Housing and Y Care), industry associations (such as QShelter), and commercial businesses (such as BGC Australia and Creating Positive Futures).



¹ <http://www.sbenrc.com.au/research-programs/1-31-rethinking-social-housing-effective-efficient-equitable-e3/>

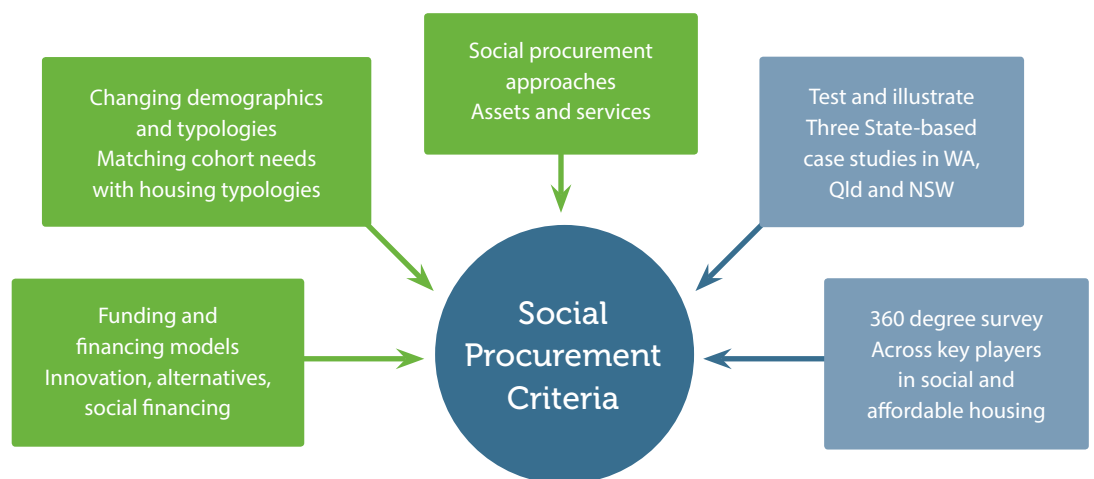
² <http://www.sbenrc.com.au/research-programs/1-41-valuing-social-housing/>

Procuring Social and Affordable Housing

As illustrated below, this research project investigated the three inter-related areas of: changing demographics and typologies; traditional and emerging social procurement approaches; and funding and financing models.

Literature and documentation was reviewed from national academic and industry sources (including the Australian Housing and Urban Research Institute - AHURI) and internationally from the UK (especially Housing Associations' Charitable Trust – HACT UK), the European Network of Housing Researchers (ENHR), the Canadian Mortgage and Housing Corporation (CMHC), and the US National Housing Conference.

A 360 Degree Survey of stakeholders from across Australia was undertaken in 2018 to inform the development of the social procurement criteria. These criteria were further tested and developed using case studies in Queensland (Qld), New South Wales (NSW) and Western Australia (WA).



Procuring Social and Affordable Housing has delivered the following research reports, in addition to presentations and publications through various academic and industry forums:

- Funding and Financing Report
- Demographics and Typologies Report
- Social Procurement Approaches Report
- 360 Degree Survey Findings
- Social Procurement Criteria Report

All reports, papers and presentations can be found on our project webpage³.

A snapshot of each of these reports follows.



Funding and Financing Approaches

A long-standing challenge in providing access to 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 that 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 of opportunities; stable long term government policy settings and regulatory environment and transparency; and project pipeline capacity.

Government at all three levels (Commonwealth, State and Local) can take a proactive role in addressing current issues by identifying those that fall into their jurisdiction, including issues of long term policy setting, transparency and risk. The latter is a major component in restricting large-scale investment and has a significant impact on the various investment hurdle rates; however, under the right conditions, risk is an imputed cost/rate which may never be realised. Therefore, if such risks were

removed the required investment rate would be substantially reduced, and potentially the costs associated with various housing related activities and their externalities would also be reduced.

There has been much recent debate as to how substantial volumes of private finance could be leveraged into this sector. The most widely suggested approaches are: the use of a retail investment vehicle; tax relief targeting Community Housing Providers (CHPs); rent-to-buy models; and shared equity models. Private investors need to be confident that the risks are transparent and manageable in order to price their involvement 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 perform 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.

Further details of the funding and financing approaches identified in the review of Australian and international literature are discussed in the full Funding and Financing Report (prepared with funding from Keystart Home Loans).



Changing Demographics and Typologies

To address current issues of access to social and affordable housing in Australia, we need to:

- Better understand the changing nature, needs and demographics of each housing cohort.
- Diversify our housing responses, seeking innovative and perhaps informal approaches to build system resilience.

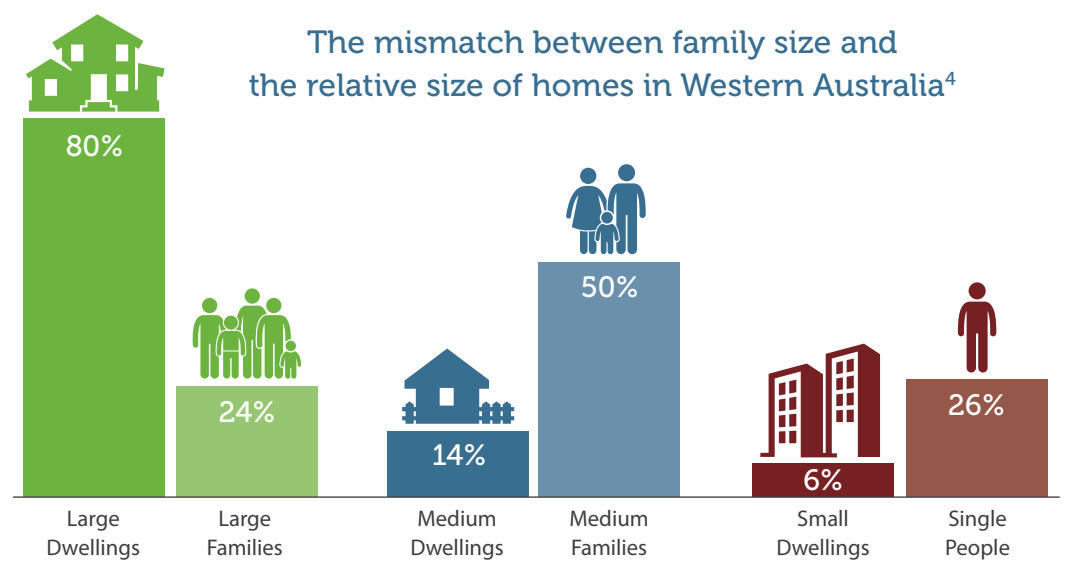
The range of people in need of social housing and affordable rental housing in Australia is changing and broadening in comparison to past decades.

Key drivers of this change are:

- Decreasing homeownership: first home buyers being locked out of the housing market, or choosing not to enter.
- Low to moderate income households are increasingly in rental stress, putting increased pressure on social housing supply.
- A tight fiscal and economic environment meaning fewer dollars available for social housing.

- An ageing population.
- An increase in the diversity and number of households due to increased complexity in life course trajectories, more diverse family structures, and the longer periods that young adults are remaining in the parental home.

This research found a mismatch between the demographics of those in need and the available current housing stock. This requires innovative solutions to address the volume gap, and deliver greater variety in the types of social and affordable housing. There is also a demand for higher density, well located housing in cities with dwelling types better suited for urban lifestyles (mainly for key workers, millennials and downsizers). Differences exist between and within the Australian States however, as revealed in the detailed demographic data provided in the full report.



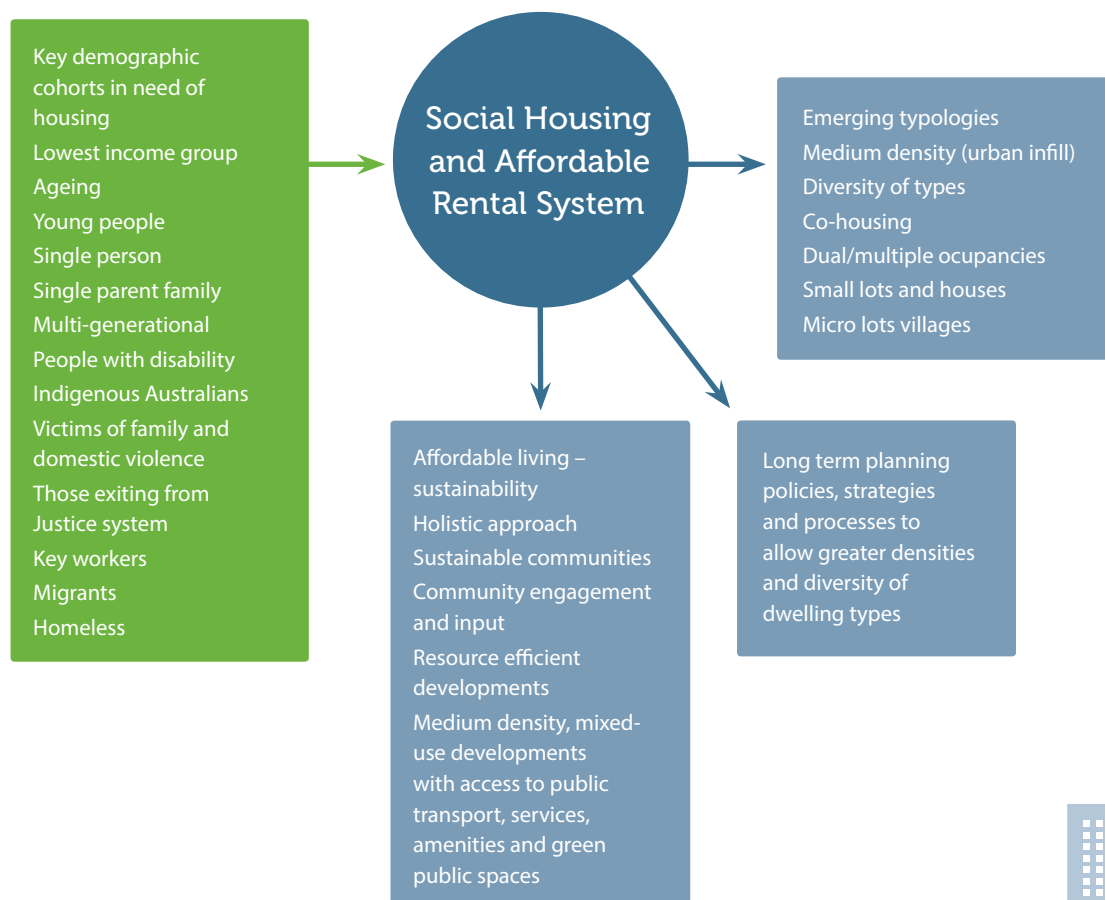
⁴ Western Australia State Government, Department of Communities – Housing (2018). Affordable Housing Action Plan 2017-18 to 2019-20: <http://www.housing.wa.gov.au/aboutus/affordablehousingactionplan/Pages/default.aspx>

Emerging trends identified include:

- The need for more holistic approaches to achieve resilient and sustainable communities.
- A need for inner-city infill in our larger cities, where savings from consolidated infrastructure development can contribute to affordability.
- The need for medium density, mixed-use, sustainable and resilient communities of high amenity (e.g. access to social services, public transport, amenities and green space) as a foundation for affordable housing in our cities.

- Long-term planning strategies, policies and processes to inform and support these changes.

International examples of relevance to Australian conditions are highlighted in the full research report, around multi-sector collaboration, outcome definition, co-housing and small, low-cost solutions.



Social Procurement Approaches

A substantial array of social procurement approaches were identified from a review of Australian and international literature and documentation.

These approaches summarised below can help address both the asset and service dimensions required to make progress towards effective housing solutions.

- Innovative planning mechanisms
- Public housing transfers and renewal
- Partnerships and joint ventures
- Community Housing Provider models
- Housing for remote Indigenous communities
- Housing for those with a disability
- Shared equity/ownership models
- Cooperatives
- Social impact/benefit bonds
- Build to rent
- Using vacant infrastructure (e.g. pop-up shelters)
- The Common Ground model⁵

These approaches are addressed in detail in the full Social Procurement Approaches Report.

Key findings of this report are:

- A diversity of procurement approaches, and housing and tenure types is needed for differing locations, cohorts, and legislative and physical environments.
- Some States have higher levels of experience and maturity in certain approaches than other States. It is important to understand the pre-conditions for success of these various approaches across different States, and how learning should be shared across States.
- The power differential between landlords and tenants in the rental market in Australia needs to be considered.
- A diversity of funding and financing approaches is required, with a greater role for social investment.
- Formal and informal partnerships are required between the public, private and not-for-profit sectors and tenants, with clearly defined responsibility and risk sharing across the nine domains identified previously.
- Flexibility and/or transparency across the different steps along the housing continuum is needed.



⁵ <http://www.commongroundqld.org.au/about-us/vision-mission-and-our-core-business/>



The following figure identifies the various mainstream and emerging social procurement approaches addressed in the full Social Procurement research report, along with the funding and financing approaches considered in the full Funding and Financing report.




Social Procurement Criteria


Building on this research we identified a need for social procurement solutions which:

- Look to the future in terms of changing demographics.
- Consider emerging community expectations for housing typologies in the context of social cohesion, building community and resource efficiency.
- Can target changing and niche needs and lead to the provision of housing on land well located for holistic social and affordable housing developments.
- Sit within an appropriate and effective regulatory environment to ensure financially sound and socially responsible investment.
- Can be effectively funded through sustainable government funding schemes, subordinate loans, guarantees and equity.

The social procurement criteria presented below are intended to support those developing policy initiatives and delivering program outcomes related to social and affordable housing in Australia. They provide a checklist that aims to ensure expansive and agile thinking, and to leverage (possibly latent) opportunities.



System focus	Builds partnerships Builds housing pathways Builds diversity in housing stock Builds financial capacity of system
Supply chain focus	Stimulates industry-wide innovation Supply chain maturity Builds sector capacity Successful models/pilots
Organisational focus	Benefits/outcomes measurement (life trajectory and financial) Time frame for benefits realisation Integrated service and asset delivery Manages risk distribution
Person focus	Addresses diverse cohort needs Addresses diversity, choice and aspirations in housing needs Builds financial capacity of individuals Supports sustainable and affordable living outcomes
Flexibility	Agility and responsiveness Appropriate scalability Location-specific responsiveness



These criteria have been developed based on: (i) research into the three inter-related components of this research project; (ii) insights gained from the 360 Degree Survey; (iii) testing against case studies in WA, Qld and NSW; and (iv) previous SBEnrc research, in particular the productivity-based conceptual framework and the nine domains approach.

Case study testing was undertaken using:

- In New South Wales - the Department of Family and Community Services (FACS) Outcomes Framework with the journey through housing approach, and the Ivanhoe Redevelopment.
- In Queensland - the Youth CONNECT social benefit bond and Youth Foyer State Government initiatives.

- In Western Australia - the Affordable Housing Strategy 2010–2020: Aiming Higher Strategy which brought together Federal and State funding with the Keystart shared equity program, to produce outcomes such as the One on Aberdeen project.

It is not anticipated that all criteria will be relevant to all applications, as there will be various unique considerations. It is, however, anticipated that each criterion can be considered as a part of early decision-making and then set aside for further investigation. Those which make a short list will depend on various issues such as: asset and/or service being procured; who is procuring (e.g. government agency or CHP); and the location of the service and/or asset (this will vary with State, city, regional or remote area).

One on Aberdeen Housing Development, Perth

(Source: <http://www.housing.wa.gov.au/News/Pages/One-on-Aberdeen-named-Australias-best-affordable-housing-development.aspx>)



360 Degree Survey

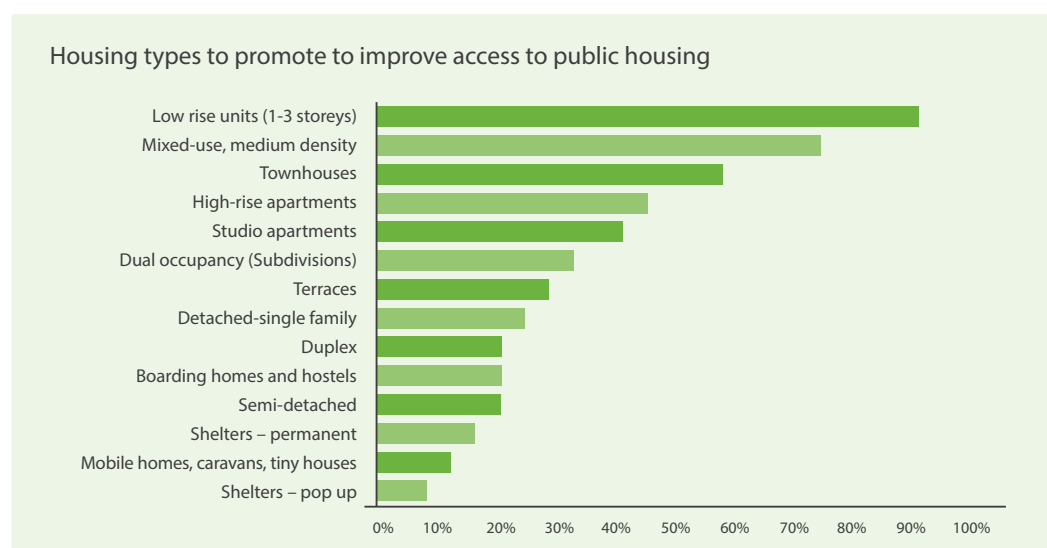
This survey was conducted to inform the development of social procurement criteria, building on the other three research streams, and to inform policy makers and those delivering both social and affordable housing.

The online survey took place from January to March 2018. Invitations were sent to 88 people across Australia with 30 responses received (34 per cent response). The survey was presented in four sections: demographics; typologies; procurement; and risk. Participants were invited from 13 categories: State government, peak bodies, shelter providers, tenants' associations, Indigenous housing providers, disability housing providers, government housing and private developers, Community Housing Providers, financiers, architects, local government representatives and commercial builders.

By way of example, when asked 'If you wanted to improve access to public housing, which of the following housing types would you increase?' the survey respondents expressed the preferences represented in the below graph.

Some of the findings included:

- Tracking demographic trends is challenging due to the lack of availability of reliable data sources and forecasting capabilities.
- The allocation of government funding could better reflect demographic growth/changes.
- Community pressure for medium density housing in better locations is increasing, with improved access to public infrastructure and employment hubs.
- Community integration is seen as a significant part of the housing solution (such as providing good access to social networks, support services, employment and transport).
- Although there are many approaches to procuring social and affordable housing, the key is the motivation of government.



Moving Forward

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 and at times niche needs which 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;
- Provide sustainable government funding schemes, subordinate loans, guarantees and equity.

“It is pleasing to see the valuable research conducted by the SBE team over the last few years being used to inform the development of the social procurement criteria. These types of accessible tools are highly useful to navigate and maximise opportunities in a complex operating environment – this is important because this type of complexity is unlikely to dissipate any time soon.” – WA Department of Communities

“All those involved in providing social and affordable housing aim for procurement efficiency and a good return on investment. The social procurement criteria developed in this research provide stakeholders with an effective checklist for early decision-making. They provide guidance on appropriate procurement pathways, help to better align investments with outcomes, and are grounded by 360-degree stakeholder feedback.” – BGC Australia

Future research in the SBEnc Social and Affordable Housing Program of Research will take place through SBEnc project P1.61 Mapping the Social and Affordable Housing Supply Chain, commencing October 2018. This project will develop a multi-layered supply chain map of the social and affordable housing sector in Australia, facilitating a strategic yet pragmatic understanding of the complexities and associations in the system. It will highlight the interactions, strengths and weaknesses of the supply chain, areas for improvement, gaps in knowledge to establish research priorities, skills development needs and innovation opportunities for supply chain participants and policy makers.





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Find out more:

Project webpage (with link to YouTube video and full research reports):
<http://sbenrc.com.au/research-programs/1-54/>

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