



## A New Future for Housing

This month Pacific Link made a carefully considered submission to the NSW Government's Social Housing Discussion Paper, an important forum that may influence future policy developments and settings.

While there's no doubting the complexity of issues that contribute to the need for social housing we believe there are positive steps that can be taken to increase supply and also help those now in housing exit the system with greater confidence. Here is a summary of our submission to the Minister.

### The Pacific Link submission

Not-for-profit community housing providers like Pacific Link are uniquely positioned to help Government achieve a variety of social and economic policy goals. Advantages are:

- Increased financial efficiency in asset management through reduced costs and increased surpluses,
- Increased supply of social housing driven by taxation and income benefits and through private sector leverage, and
- Improved tenant services and programs resulting from local connections, business expertise, innovative thinking and strong partnerships with support organisations.

To achieve these ends, not-for-profits need clear leadership from State Government on the role of community housing in the medium and long term. Like other managers of critical infrastructure, community housing providers require long-term management rights that provide certainty from which to build capacity, enhance collateral to raise private finance and build new social and affordable housing.

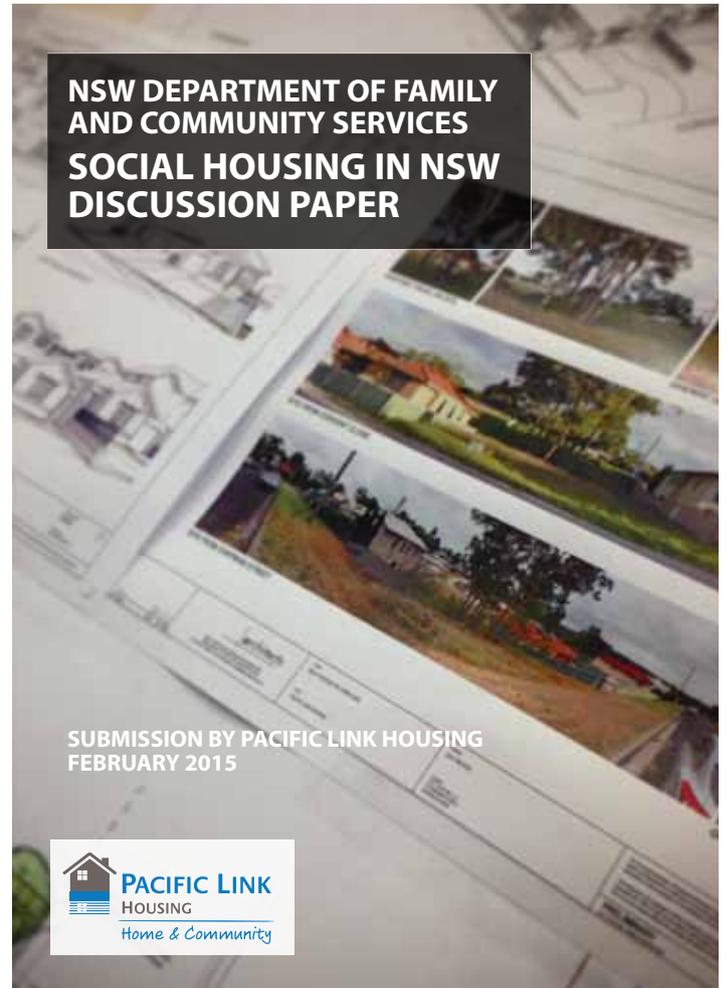
### Pacific Link's submission makes 14 recommendations

#### Creating opportunities and pathways

**01:** NSW needs a 'whole of Government' housing policy that encompasses the private market, use of the planning system and financial incentives such as the First Home Owners Grant.

Reducing the rental stress in the private market can have the twin benefits of reducing demand for people entering social housing and reducing the barriers to people seeking to exit. The housing policy should integrate with the wider FACS reform agenda, and be regionally specific with targeted sub-strategies for FACS districts based on local needs.

**02:** Government needs to review and advocate for a shift by the Commonwealth in the welfare benefits system to reduce the 'poverty trap' and structural disincentives to finding employment.



## Over the past 12 months Pacific Link has:

- Entirely funded and managed the refurbishment of around 100 social housing homes at Dunbar Way in Gosford
- Begun the development of a four-unit multiple housing block in Cessnock
- Formed a joint venture with Evolve Housing to win (and leverage) NSW Government contracts to develop and manage three studio apartment developments for Western Sydney, the Central Coast and the Lower Hunter. Total value of the three projects will be \$12.8 million.
- Developed a new initiative to entirely fund and manage the delivery of new social housing through the addition of secondary dwellings to suitable properties provided on long-term leases – an initiative now before the State Government.
- Been recognised through state awards for innovation, best project, and executive excellence, and nationally recognised and awarded for best tenant support programs.
- Completing the move from large institutions for people with disability under Stronger Together 2, requiring more new housing in the community.

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A study conducted for PLH by the University of Western Sydney (see Page 6) shows that PLH tenants can lose up to 93 cents of every extra dollar earned from wages through taxation and lost benefits. This is a major disincentive for tenants progressing from benefits to employment.

The study, Determining the Financial Barriers Moving from Welfare to Work, found that 90% of our tenants receive Centrelink support, and only 7% rely on employment for income. In total, around 20% of our tenants are in employment.

- Tenants able to work faced higher effective marginal tax rates. For every extra dollar they earn they lose from 47% to as much as 93% in taxation and reduced benefits
- Loss of housing security was seen as a major disincentive to gaining work. The study by UWS confirms the extent of the 'poverty trap' and current arrangements driving disincentives to work and moves to the private rental market.

**03:** Further government investment in research projects on issues surrounding social housing transitions is necessary.

Pacific Link has a plan ready for a pilot longitudinal study on the Central Coast in partnership with University of Newcastle that is awaiting funding.

**04:** A more cohesive approach is needed to deliver better stepping stones to transition out of social housing. These should include:

- Wrap-around support services to build tenant capacity
- Shared ownership schemes that include sales of social housing to tenants
- The re-investment of sales proceeds into new stock
- Government-backed rental guarantees
- Graduated affordable rental scales and
- Better design and access to advice on supplementary housing products.

**05:** Government needs to be proactive in building partnerships with community housing providers for estate renewal.

Pacific Link's successful self-funded regeneration project on the Central Coast should be rolled out to other regional estates in NSW.

The Pacific Link project now nearing completion has seen the refurbishment of around 100 homes on the Dunbar Way and neighbouring estates in North Gosford.

The refurbishment has brought the estate up to date, ensuring it will continue to provide social housing for years to come.

**06:** Policy settings must allow community housing providers to run a 'portfolio' approach, with greater flexibility on the use of individual properties (subject to meeting eligibility guidelines).

There are insufficient 'intermediate housing products' to assist low to moderate income households aspiring to more independent living.

Shared income and shared equity products allow moderate income householders to buy a percentage of a property then increase their share to full ownership over time.

Models have been delivered at scale in Britain, The Netherlands, Sweden and Austria.

Western Australia (WA) has been the leader in Australia and the government there supports shared ownership to deliver their affordable housing strategy. Some 11,000 households have been assisted in schemes dating back to the 1980s.

In 2013, community housing providers and Regional Development Australia launched a template for NSW shared ownership. This is a superior model to WA as mortgages would be by commercial lenders, not a state-owned bank. Proposed delivery would be by larger community housing providers.

Sale of social housing to tenants provides a pathway to independence. Capital can be recycled, with sales proceeds used to build new social housing.

Affordable rental settings are also needed for social housing tenants in difficult circumstances.

City West Housing, a government-owned provider in Sydney, has rents that – depending on incomes levels – may be based on paying 25%, 27.5% or 30% of household income. This move away from ‘one size fits all’ is important to maintain sustainability and should be made available to the wider community housing sector.

#### **Making the system fairer**

The social housing system needs to work in a more coordinated way across the public and community housing sectors to provide consistency in management of landlord/tenant relationships. Government’s housing benefit payments

should be captured for their intended purpose by housing providers and the principle of mutual obligation applied to tenancy behaviour and responsibilities.

**07:** Implement changes to privacy legislation to allow community housing providers the same level of access to tenant rent assistance funding and data on Housing Pathways as FACS/Housing NSW.

While the single waiting list and common eligibility requirements are now well established principles, there are administrative areas where consistency does not apply.

- Community Housing providers cannot direct debit payments from Centrelink income
- Only FACS/Housing NSW staff can view and update tenant histories on the Housing Pathways system, including income and arrears data.

As many of our tribunal applications for tenancy termination arise from non-payment of rent, direct debits would mean many more sustainable tenancies with Federal Government rent assistance captured for its intended purpose.

**08:** Ensure that the basic rights, responsibilities and rules for tenants are consistent across the NSW social housing system, and the principle of mutual obligation is applied.

Policy principles should establish a level playing field between the public and community housing sectors, building on the single waiting list and common eligibility reforms. New initiatives are needed to reduce anti-social behaviour and these should be consistent across the system.

#### **Sustainable Social Housing**

Addressing the question of financial sustainability must have primary focus. Tier One nationally regulated housing providers such as Pacific Link

can partner with government and the private sector to deliver key priorities:

- Increased financial efficiency in asset management through reduced costs and increased surpluses, and
- Increased supply of social housing through private sector leverage.

Our cashflows are strong given the taxation and income benefits we have compared to the public sector.

In NSW around 20% of social housing is managed within the community housing sector. This housing is more financially sustainable for NSW government than public housing because of three key advantages enjoyed by community housing providers.

- The receipt of Commonwealth Rental Assistance (CRA). CRA is available to community housing providers but not to the public sector. Nationally, CRA funding paid by Federal Government in 2012-13 totaled \$3.6 billion and is expected to increase to \$4.5 billion in 2014-15 according to the Reform of Federation White Paper.
- Community housing providers have charitable status within the ATO, meaning they are income-tax exempt, and
- Community housing providers are GST-Registered, while government is not. Government is unable to claim input tax credits, which effectively adds 10% to the public sector’s costs.

Community housing providers can grow their property portfolios. This can be achieved by offering a range of rent settings which are typically up to 75% of market rents.

Stronger cash flows can be used to raise non-government finance, secured against the property’s controlling interest (effectively long-term leases). Loans then fund new property

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construction. Importantly, the NSW Government can retain ownership of the asset.

Most developed countries have followed a similar path, most recently New Zealand, which aims for 20% in the community housing sector.

NSW Government needs to signal how large a proportion of the social housing system is to be run by community housing providers. A figure of 35% was agreed by Housing Ministers in 2009.

**09:** The new Social Housing Policy must contain medium and long term targets for the transfer of long-term management rights (not assets) to the community housing sector.

At a minimum the 2009 commitment of 35% of housing managed (not owned) by the community sector should be immediately implemented, and a longer term target of 50% set.

We recommend allocating long-term management rights, with government retaining asset ownership while outplacing control to community housing providers through long-term leases.

**10:** The current policy of 3 year leases from Government must be extended to long term leases to optimise leveraging opportunities and allow for re-investment of operating surpluses into new housing stock.

Like other organisations managing critical infrastructure on behalf of Government, community housing providers require long-term management rights that provide certainty from which we can build capacity, enhance collateral to raise

private finance and build new social and affordable housing.

Government needs to formulate policy on alternative funding approaches that access wider capital markets, including fund management institutions and the Future Fund.

Targets should be agreed that ensure new stock is delivered through leveraging, by transferring control of the asset to community housing providers, whilst Government retains ownership.

As NSW Government is looking to reduce debt, the best way to raise funds for new social and affordable rental housing is for debt-raising to be taken off the government's balance sheet.

There is growing interest in lending to community housing providers within the banking sector. Westpac has allocated \$2 billion in funding provided greater security than the current short term leases for State Government can be provided.

**11:** To achieve cost savings for Government, management transfers to the community housing sector require regional focus that eliminates duplication within the public housing sector.

The optimum recommended approach for allocating long-term leases is the model used in TAS, SA and VIC, where packages are transferred in discrete neighbourhoods.

The NSW program could focus on the 100 'large estates'. This would be through arrangements similar to Pacific Link's award-winning work at Dunbar Way – though on a larger scale.

Allocations of long-term leases would be on the basis that recipient community housing providers meet the maintenance backlog, improve tenant engagement, and provide access to community facilities.

**12:** Allow flexibility in policy to ensure social and affordable housing supply is targeted to need.

The population of the Central Coast is growing rapidly and will continue to do so. This is increasing pressure on local housing markets (sale and rental) with lower income and disadvantaged groups particularly vulnerable.

Demand is highest for one and two bedroom housing on the Central Coast.

Pacific Link is already working on projects that can help deliver NSW Government's housing goals, with scope for all to be rolled-out at volume.

- We have put a proposal to construct secondary dwellings ('granny flats') on existing social housing plots to NSW Government. Our modeling confirms we can deliver 100 new affordable rental homes for every 200 social housing units transferred to Pacific Link through long-term lease. This project is 'shovel-ready' and awaiting approval.
- In partnership with Evolve Housing we are developing 'new generation' studio apartments with between 20 and 30 units to be provided in three centres – Western Sydney, the Central Coast and the Lower Hunter. These are modest in cost, yet deliver much needed small and affordable rental homes for lower income residents.

Alternative property types such as these will allow transitions along the housing



continuum, and help address social housing under-occupancy.

**13:** Require all levels of Government to identify surplus public land and arrange long-term leasing for social and affordable housing developments, delivered in partnerships between community housing providers, private developers, funding bodies and Government.

There are additional options to supplement those already mentioned for the allocation of long-term management rights and allow better use through leveraging by community housing providers.

Selected older public housing properties could be sold to community housing providers at their unimproved value with deferred sales consideration. Providers would undertake small-scale redevelopment, with selected market sales raising funds to repay purchase considerations.

A recent example on the Central Coast was the Housing NSW redevelopment of two older houses and adjacent land at Glennie Street, North Gosford

providing 18 new one and two-bedroom townhouses.

The identification of non-housing land sites currently owned by State Government or local councils suitable for transfer to community housing providers for mixed tenure housing developments. An example of this is taking place in Victoria where greater use is being made of surplus rail corridor land.

**14:** Make greater use of the NSW planning system to deliver increased numbers of affordable homes for rent or sale. Inclusionary zoning policies that require minimum affordable housing components in developments must be adopted.

One option to encourage the delivery of more affordable housing allows private developers to make voluntary affordable housing contributions in exchange for planning incentives such as increases in density or height. But this is not mandatory and may not be taken up by developers.

We therefore recommend affordable housing levies be permitted under inclusionary zoning mechanisms. These

are common in many parts of Australia and in Britain and the United States.

In Sydney an affordable housing levy for Green Square has resulted in 100 affordable rental units being built and managed by the community housing sector.

South Australia has a scheme that could act as a model for NSW, where developments over a certain size are required to deliver 15% affordable housing with 10% target at eligible buyers and 5% retained as long-term social rental housing.

Introducing inclusionary zoning would be a cost effective way of maximizing affordable housing outcomes, with community housing providers to manage new housing as occurs in Waverley in Sydney.

Copies of the full Pacific Link Housing submission to the NSW Department of Family and Community Services can be found at: [pacificlink.org.au/publications](http://pacificlink.org.au/publications)

# Survey shows many still aim for home of their own

Pacific Link Housing has commissioned the University of Western Sydney to undertake a study aimed at Determining the Financial Barriers Moving from Welfare to Work.

The study was commissioned to better understand those barriers that may prevent or dissuade tenants from taking up employment with a view to ultimately moving out of the welfare system and into private housing.

It reviewed existing research and Pacific Link tenant data; modeled income and taxation outcomes for a range of tenants in working situations, and surveyed Pacific Link households through 24 face-to-face interviews.

## Lost benefits for those in work

The study found tenants taking up paid work faced penalties through:

- Reductions in Centrelink benefits
- Higher Rental Payments
- Personal Income Tax
- The loss of transport and health care concessions and for some, higher child-care costs.

Under current Centrelink rules, Centrelink reduces benefit payments to clients taking up paid work using the following scale of benefit deductions:

- For earnings up to \$100 per fortnight – no reduction.
- For earnings between \$100 and \$250 per fortnight – minus 50 cents for every dollar earned.
- For earnings above \$250 per fortnight – minus \$75 and 60 cents for every dollar earned over \$250.

## Effective marginal tax rates

The study includes lost benefits, rental increases and other losses or costs in a single Effective Marginal Tax Rate to illustrate total impacts as a percentage of earnings for those who take up work.

While most people in Australia face tax rates of between 29% and 47% for high-income earners, people living in community housing face Effective Marginal Tax Rates as high as 93%, depending on the household and number of hours worked.

For single parents, the Effective Marginal Tax Rate can exceed 100% when the Childcare Rebate is lost.

## Financial rewards for work

The study found that the most tenants on benefits can expect to take home for their work is \$13 per hour, while for others this may reduce to only \$2.

Working longer hours is unlikely to help. One trend identified by the study shows the more hours worked the lower the return.

## Surveys and interviews

More than 80 surveys were returned and 24 tenants – roughly half in work and half not – were interviewed. Of the completed surveys:

- 53% were from single persons
- 21% from single parent families
- 17% from couples with kids
- 8% from extended families and
- 2.4% from couples without kids.

The great majority of respondents – 86% – said they had worked at sometime in the past. At the time of the study:

- 78% relied on Centrelink benefits alone
- 13% combined work earnings and Centrelink benefits
- 7% relied on work earnings alone.

Reasons given for leaving employment included being unfit for work due to age, physical injury, depression, anxiety and other factors (40%). Family responsibilities – including being a carer for another – were cited by 25%.

Of those in work, the biggest group was single parents (33%) followed by single person households (19%). Several mention being financially independent as a reason to work while others liked social aspects.

## Barriers to work

More than 90% of respondents knew their Centrelink payments would drop and rents increase if they chose to work.

Many believed it was not worth working, and felt it was better to retain their current position rather than risk losing benefits and paying higher rent.

The small number who worked and could afford to pay full market rent were content to work and to pay full market rent while remaining in community housing.

## DETERMINING THE FINANCIAL BARRIERS MOVING FROM WELFARE TO WORK

Michael Darcy  
and Hazel Blunden



### Reasons for staying in community housing

Many tenants – including those paying full market rental – preferred to remain in community housing because of its stability. Most were wary of the private rental market for the following reasons:

- 1 They were fearful of being subjected to rapid or sudden rent rises and the possibility of eviction because of an inability pay rising rents.
- 2 Fear that a sudden change in circumstances – such as illness or a job loss – could expose them to eviction.

On balance they preferred to stay in community housing rather than risk losing a their home in the private rental market.

### On housing ownership

Some of those surveyed said they were paying off a mortgage before their circumstances changed for the worse. And most were still in favour of having access to home ownership via a rent-to-buy or other scheme.

### Pacific Link's response

Pacific Link has made reference to the issues raised in this study in its submission to the NSW Government's Discussion Paper on Social Housing, suggesting:

- Government needs to review and advocate for a shift by the Commonwealth in the welfare benefits system to reduce the 'poverty

trap' and structural disincentives to finding employment

- Further government investment in research projects on issues surrounding social housing transitions is necessary.
- Policy settings must allow community housing providers to run a 'portfolio' with greater flexibility on the use of individual properties.

It points out that there are insufficient intermediate housing products to assist low to moderate income households aspiring to more independent living along the lines of large-scale successful programs overseas.

**Copies of the full University of Western Sydney Study can be found at at: [pacificlink.org.au/publications](http://pacificlink.org.au/publications)**

Scholars aged 5 to 78 have received scholarships from Pacific Link Chairman, David Bacon (centre left) and board members Wal Edgell and Kim McLoughry (right back and front).



# Help for students from 5 to 78

Students ranging in age from five to 78 were among the latest group to receive assistance through Pacific Link's Astolfi Scholarships program in early March.

More than 70 tenants – many of whom find it difficult to fund their studies on marginal incomes – have now received Astolfi Scholarships – one of a number of tenant support programs that contributed to Pacific Link's national award for Best Tenant Support Programs last year.

"I'm surprised and delighted by the wide range of studies being pursued by tenants of all ages," said Pacific Link Chairman David Bacon.

"This group begins with a five-year-old student in Year 1 – then moves on

through school to young adults building careers in web-design, accounting, community welfare, psychology and geothermal engineering!"

"Our youngest recipient, Nathan, may well have the biggest future of all... a future we're assisting through the early provision of a laptop for his studies. In this day an age even the youngest primary students need laptops and connectivity to be part of the digital learning age.

"Our most senior recipient may have reached the age of 78, but Warren's still

pursuing his own lifetime of study by learning Mandarin," he said.

Pacific Link Housing's scholarships are made to honour the organisation's founder Shiela Astolfi, under whose direction Pacific Link began to manage housing almost 30 years ago.

"Most people in community housing are there through no fault of their own," said David Bacon, "and with the right help and assistance many go on to enjoy successful independent lives."



**PACIFIC LINK**  
**HOUSING**

*Home & Community*

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