



Community Housing Engagement with the Private Rental Market

Research report

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Housing Associations inc**

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Executive Summary

This research paper documents the extent of the community housing industry's involvement with the private rental market and identifies the multiple approaches developed by the industry to increase the supply of social and affordable housing through engagement with the private rental market. The paper also identifies directions for further policy development needed to leverage the existing community housing innovation in this area to enable much greater provision of low cost housing. The paper is based on industry consultation and input from key stakeholders and is informed by a long history of community housing involvement with the private rental market.

In a housing environment dominated by extreme affordability pressures and the scarcity of low cost rental housing, professional and effective relationships between community housing and the private rental market are of great importance. While community housing and real estate agents are two industries with differing interests, motivations and philosophies, the findings of the Federation's research confirm that community housing effectively engages with the private rental market in a multitude of ways to deliver mutual benefits for all stakeholders involved: tenants, landlords, real estate agents and government.

These findings are also reflective of community housing's long term involvement with the private rental market: from the industry's early beginnings as community housing tenancy schemes more than thirty years ago to a viable and growing industry with more than 38,000 social and affordable housing properties, the engagement with landlords and real estate agencies continues to be part of the industry's core business and it is certain that this will continue in the future.

Community housing providers leverage these relationships in innovative ways and apply locally developed solutions to access low cost rental housing for increasing numbers of households. This is particularly evident in headleasing arrangements, where existing long term positive relationships between community housing and the real estate industry are of utmost importance in sourcing additional properties from the private rental market to community housing tenants.

The findings of this research indicate that community housing engages with the private rental market through four mechanisms:

- Headleasing properties from the private rental market, on either a fee-for-service basis or through the Community Housing Leasing Program
- Facilitating access to private rental assistance brokerage programs
- Providing affordable housing opportunities
- Active relationship brokering and partnering with local support providers to sustain tenancies and prevent homelessness.

The research also identifies a range of potential developments that can help enhance community housing industry engagement with the private rental market. The most commonly identified future opportunities relate to the ways in which partnerships between the government, community housing and private investors could be enhanced. Several policy implications have emerged from this research:

- Exploring the pathways towards greater collaboration between community housing and the real estate industry as a whole, including through formalised agreements such as memoranda of understanding
- Enhancing the supply of private rental properties under community housing’s management through the utilisation of innovative rental models that channel private investment in low cost housing such as the UK Build to Rent model, the Home Ground Real Estate model from Victoria and Defence Housing Australia
- Exploring the possibilities for replicating and scaling up the successful examples of good communication and effective relationships between the two industries that already exist
- Enhancing the ability of community housing providers to manage and deliver private rental assistance products under the Housing Pathways and the “no wrong door” principles.

The research also identified an opportunity for a greater coordination of activities related to the real estate engagement conducted by Family and Community Services (FACS) funded agencies and community housing providers, in particular where this engagement is necessary to assist clients in sustaining their tenancies and breaking the cycle of homelessness. The Federation recommends that FACS explores the possibilities for replicating successful local arrangements as well as the need for coordination of the private rental market engagement efforts between community housing and support providers.

The community housing industry is well positioned to take a major role in the delivery of social and affordable housing in NSW, including through the engagement with the private rental market. Community housing’s advantages include the ability to access Commonwealth Rent Assistance (CRA), favourable tax policy settings, and the ability to use private finance for leverage – all of these enable community housing to play an innovative and responsive role in the delivery of quality social and affordable housing.

The Federation looks forward to discussing this report and its findings with government, real estate industry and other interested stakeholders.

Background

About the Federation

The NSW Federation of Housing Associations (the Federation) is the industry peak body for community housing providers in NSW. Community housing providers are not for profit organisations whose principal business is the management and development of long-term rental housing for very low to moderate income households. The Federation's core members manage over 38,000 tenancies¹, which constitute the vast majority of community housing in NSW.

The Federation provides advice to members, government and potential partners on the best ways to expand the industry's activities and meet the highest standards of service to tenants, applicants and communities. The organisation is also the leading provider of a wide range of good practice information and resourcing to support members' Boards, management, staff and tenants. The Federation is also a Registered Training Organisation and the leading provider of social housing training in Australia. Through its Centre for Training in Social Housing, the Federation delivers both accredited training, such as formal qualifications in social housing management, and tailored workshops in response to members' needs. In addition, the organisation anticipates and supports members' directions and aspirations with effective research, policy development and analysis on key issues affecting the development of the industry, and strategies to support the changing business of the industry.

Research aims

The community housing engagement with the private rental market project was undertaken by the Federation in consultation with community housing providers. The aims of the project were threefold: to improve understanding of current practice in the private rental market engagement; to identify examples of good practice; and to consider any issues that could improve or inhibit community housing approaches to build and strengthen this engagement.

The research addressed the following questions:

- What are common approaches utilised by community housing providers to engage with the private rental market?
- What are the current and future challenges experienced by community housing providers in their engagement with the private rental market?
- What possible solutions could overcome some of these barriers?

This report provides the findings and recommendations of the research.

¹ NSW Registrar of Community Housing (2014) Annual Statement of Performance ASOP

Methodology

Research was conducted primarily via semi-structured interviews with several community housing providers managing small and large leasehold portfolios. In May 2014 the Federation also facilitated a consultation with providers. The aim of the consultation was to gain an understanding of the current practice across the industry and to identify existing innovative approaches.

In the course of research the Federation consulted the Tenants Union NSW and the Family and Community Services' (FACS) Private Rental Market Solutions team. A review of grey and academic literature on industry practices in accessing the private rental market was also conducted.

Research context

The private rental market and housing affordability

The private rental market is an important part of the Australian housing system, with almost two million households renting privately. New South Wales has the highest percentage of households of all states and territories living in the private rental market - 24 percent². Demand for rental housing keeps increasing as many medium income households are priced out of homeownership meaning that they tend to stay in rental housing for longer periods of time. Long term demographic and housing supply challenges have had a negative effect on the affordability and availability of the private rental housing particularly for households on low and medium incomes³.

By international standards, Australia has a mid-size rental sector in which the private rental component is the dominant part and with a relatively small social housing provision⁴. However, when compared to other parts of the housing market, it is notable that the proportion of households living in the private rental market is increasing: between 1981 and 2011 the number of households renting privately has almost doubled from 918,250 households to 1,801,464 while the share of this sector has increased to 23 percent of all housing stock nationally.

Housing affordability pressures also mean that many low and moderate income households experience rental stress. In NSW only, almost half (48 percent) of low income households living in the private market experience rental stress⁵ due to high rents even after Commonwealth Rent Assistance (CRA) is taken into account.

Low income households living in metropolitan areas often bear the worst brunt of housing unaffordability. The Sydney rental market is known to be particularly expensive with low vacancy rates and rising rental costs. Low vacancy rates in the private rental market have been identified as a key driver of housing stress. In the Sydney metropolitan area, vacancy rates have been well below 2 percent for most periods since mid-2006, and in that time rents have increased by over 30 percent in previously affordable local government areas such as Liverpool and Fairfield⁶. Such persistently low vacancy rates also suggest consistent housing supply failure⁷.

The future demand for affordable housing

The ever-growing demand for low cost rental housing inevitably translates into increased demand for social housing. In NSW, demand for social housing is high, with 57,451 households on the

² Hulse, K., Burke, T., Ralston, L., and Stone, W. (2012) The Australian Private Rental Sector; changes and challenges, Positioning paper no. 149, AHURI, Melbourne

³ National Housing Supply Council, Housing Supply and Affordability – Key Indicators, 2012

⁴ Hulse, K. Burke, T. Ralston, L and Stone, W. (2012)

⁵ COAG Reform Council Performance Report 2012

⁶ Ferrer, E. (2013) The Private rental market, affordability and homelessness, presentation to Shelter NSW Conference

⁷ Burke, T. (2014) Private rental: investment and supply issues, Around the House no.97, Shelter NSW 2014

NSW social housing waiting list, representing approximately 120,000 people and increasing by 3.4 percent each year⁸.

In the future, demand for low cost rental housing, private or social, is likely to increase not only due to the overall growth of NSW population and general lack of affordable housing, but also due to changes in the delivery of human services and the governments' growing expectations that market and community should play a greater role in provision of services. The introduction of the National Disability Insurance Scheme (NDIS) means that there will be between 154,000 and 193,000 scheme participants on low and very low incomes who may need housing assistance, including social housing⁹. This additional demand is likely to put considerable strain on the private rental market as more people with disability seek to live independently in the community.

Similar increases in demand on rental housing will also come from an ageing population as older households seek to downsize to fund their retirement. These demographic changes are likely to be further compounded by a considerable number of older households who are currently living in the private rental market¹⁰. The housing demand for either private rental or social housing from these older households will only increase in the near future and they are likely to seek a greater security and longevity of tenure.

It is inevitable that some of this increased demand will also increase the demand for social housing. Given the financial constraints of state housing authorities and lack of public housing growth, the private rental market will have to play a greater role in providing housing solutions to an even greater number of households in the future. It is therefore necessary to consider mechanisms and solutions that can provide greater access and ongoing security of tenure in the private rental market for low and moderate income households.

The community housing response

Community housing providers are well placed to play a greater role in provision of social and affordable housing through their engagement with the private rental market by managing properties on behalf of private landlords and through financial partnerships with investors and developers. Community housing providers are professionally managed and governed social enterprises with charitable tax status, and the only part of the social housing system which is positioned to meet rising demand.

Community housing providers have been part of the NSW housing system for over 30 years. From small-scale, local beginnings a national industry has emerged, which is a significant and expanding component of the social and affordable housing system. It is important to note that the community housing industry, from the very beginning, depended on successful engagement with the private rental market, through (then) community housing tenancy schemes, whose portfolios consisted of properties headleased from real estate agencies and private landlords. Contemporary community housing providers have diversified their services to include not only high quality housing

⁸ NSW Auditor General 2013. Making the Best Use of Public Housing. NSW Auditor General Report Performance Audit, p.2.

⁹ Bonyhady, B (2014). The National Disability Insurance Scheme – The catalyst for scalable, affordable and accessible housing for people with disability, Community Housing Federation Australia Conference 27 March 2014

¹⁰ NSW Registrar of Community Housing 2013 Annual Statement of Performance, p. 7.

management services to low and moderate income households, but also to build and procure new dwellings through partnering with commercial business, government agencies and other not for profit organisations.

The community housing industry is not only diversifying but also growing. Between 2006 and 2013 the number of properties under community housing management in NSW more than doubled. The industry currently manages 38,000 tenancies across very low, low and moderate income households, representing over 20 percent of all social housing in NSW. The industry currently owns almost \$1.7 billion worth of community housing properties, part of an asset base of over \$5 billion. Its rental income is over \$300 million per year.

As a result of properties transferred from public housing, community housing providers have built and bought almost 2,000 additional properties. Providers are also diversifying their businesses by moving into new property types and serving new target groups, including disability housing.

Throughout its thirty year long history, community housing has partnered with the NSW Government, local councils, social service providers and property investors, developers and real estate agencies to deliver additional social and affordable housing properties and ensure better access to low cost housing by low income households. The engagement with the private rental market has always been an important part of community housing activity, not only through headleasing arrangements but also increasingly through a range of innovative partnerships with small and large investors.

Community Housing Engagement with the Private Rental Market

This research has identified four main ways the industry engages with the private rental market:

- Headleasing arrangements, whereby a community housing provider leases a private rental property through a real estate agency or directly from the landlord
- Facilitating access to private rental market products
- Engaging with private investors to deliver affordable housing properties
- Working in partnership with support providers and real estate agents.

Headleasing properties from the private rental market

Headleasing properties directly from real estate agents and private landlords is one of the main ways of engaging with the private rental market. Properties sourced in this way constitute approximately 24 percent of the total community housing portfolio, with some 5,621 properties¹¹. The main driver of this activity is the Community Housing Leasing Program (CHLP) which enables community housing providers to meet the difference between social housing rent (set at 25 percent of tenant's income) and market rent charged by private landlords.

Headleasing is the predominant way of meeting a localised demand for social housing which could not be met by community housing's own portfolio. The CHLP program is designed to give community housing providers increased flexibility in providing housing that is suited to tenants' needs, particularly in areas where housing is more expensive. The size of the CHLP portfolio across NSW community housing varies, with some providers having a larger exposure to the private rental market through their CHLP portfolios¹².

In a headleasing arrangement, a complex contractual relationship exists between four parties: the private landlord, their real estate agents, the community housing provider and the social housing tenant. There are two tenancy agreements: the first one is between a community housing provider and the landlord; the second one is between the community housing provider and the social housing tenant. This effectively establishes a sub-letting relationship in which the responsibility for repairs and maintenance rests with the private landlord and the day-to-day tenancy management rests with the community housing provider. These contractual arrangements mean that community housing providers have to balance the needs and expectations of their tenants on one side, and the private landlord and real estate agents on the other.

The ability of providers to source suitable properties in the open rental market depends on several factors, some of which are out of the control of community housing providers. The main factor that impacts on this model is the general affordability of private rental properties in a particular locality and the median rents set by the market. Other factors include the level of CHLP subsidy, the ability

¹¹ Department of Family and Community Services (2014) Submission to the Public Accounts Committee Inquiry into Tenancy Management in Social Housing, p. 19

¹² The size of the head leasing portfolio in community housing varied between 17 percent and 56 percent.

to meet demand out of capital stock and, importantly, the existence of effective and long term local relationships between real estate agents and community housing providers. From the Federation's research it was evident community housing providers overcome these market barriers in innovative ways: by combining their own local knowledge of the housing market, the CHLP subsidy and efficient tenancy allocation and management. Community housing providers are able to leverage the established relationships with estate agencies and landlords in order to channel private rental properties into community housing tenancies.

In the Federation's consultations many providers highlighted that these local relationships often play an important role in their ability to source and maintain long term social housing tenancies, even in the metropolitan markets where rents are typically higher. In these cases, it is precisely because of long established and well maintained local relationships with real estate agencies that providers are able to source social housing through headleasing. There are numerous examples highlighted by providers that confirm this productive relationship – in many instances real estate agents would simply offer a rental property to a community housing provider on a preferential basis because of a previously established and successful relationship¹³.

Community housing providers have developed three elements of their value proposition when dealing with the private rental market: their promise and ability to pay the agreed rent on time; the ability to keep vacancies at a minimum and therefore maximise the rental return to the landlord; and to manage tenancies in a timely and efficient way so that the asset is well maintained.

Providers indicated that when sourcing leasehold properties, their ability to guarantee rent payments and good tenancy management is vital. Consequently, they have incorporated these benefits into their communications with prospective real estate agents and landlords. This demonstrates the community housing industry's ability to work effectively in often high demand rental markets to meet the needs of their tenants.

The most common challenges that community housing providers experienced in headleasing arrangements related to managing relationships between numerous real estate agencies, and balancing the different expectations of landlords and real estate agents on one side and tenants on the other. This issue was particularly prominent in relation to repairs and maintenance, which is the responsibility of private landlords. However, there were examples where these challenges were successfully managed by community housing providers precisely because of their extensive previous engagement with the private rental market. In many instances, providers and landlords would reach a specific agreement about maintenance thresholds especially where several properties are managed by one real estate agency or landlord. This means that providers are responsible for certain routine maintenance issues and have more control over the property they manage. This translates into a more seamless service to tenants since providers are able to raise maintenance orders themselves and employ their own contractors to carry out these repairs.

Community housing providers are also skilled in managing complex relationships with headleases in strata managed units, where they routinely deal with strata managers and body corporates living in the same apartment block. This is particularly present among providers that operate in metropolitan areas and is reflective of their specific tenant demographic as well as the nature and availability of properties in these areas.

¹³ Please refer to Appendix A for case studies

In the experience of community housing providers, the management of social housing tenancies is most effective when tenancy and property management are integrated to the greatest possible degree. This was also evident in the Federation's consultations for this paper. Community housing providers found innovative ways to circumvent somewhat restrictive maintenance obligations in the case of headleasing arrangements obligations to ensure the satisfaction of their tenants.

Facilitating access to the private rental assistance (PRA) products

Private rental assistance products were established by FACS to enable social housing tenants and applicants to meet their housing needs in the private rental market through the use of additional financial resources and tenancy supports. With social housing reforms and the growing need for low cost rental housing, these product ranges have recently expanded. The assistance provided includes bond loans, tenancy guarantees, tenancy facilitation and statements of previous satisfactory tenancy with public housing.

Community housing providers facilitate access to some of the private rental products to eligible social housing applicants under the common access system for social housing, Housing Pathways. This means that the provider will assess an applicant's eligibility for a range of private rental assistance products as part of their overall eligibility assessment for social housing. Where applicable they can refer the applicant to Housing NSW in order to access a particular relevant private rental product.

In the Federation's consultation with community housing providers and FACS it was identified that there is scope for community housing providers to also deliver some of these products themselves (depending on the availability of funding). This would have the benefit of better integrating social housing assistance in the multi-provider system. Eligible clients would be able to receive the determined level of assistance, including funding assistance, regardless of whether they approach FACS or community housing providers. The principle of a 'no wrong door approach' that underpins Housing Pathways would be compatible with this policy direction.

Engaging with private investors to deliver affordable housing

In addition to headleasing properties from private landlords to augment social housing portfolios, community housing providers are increasingly engaged in the provision of affordable housing through their engagement with private investors. They undertake these activities via several mechanisms: they manage affordable housing programs for local councils on a fee-for-service basis, or they leverage their own portfolios through private finance to provide additional properties. The main community housing mechanism for increasing the supply of much needed affordable housing, however, is the now discontinued National Rental Affordability Scheme (NRAS). The architecture of NRAS aimed to channel private investment into affordable housing provision and has been one of the most significant vehicles of community housing growth. The majority of affordable housing dwellings managed by community housing providers in NSW have NRAS incentives attached and are managed in accordance with the NRAS Guidelines and the NSW Affordable Housing Guidelines produced by the Centre for Affordable Housing.

While community housing providers will continue to deliver affordable housing under the remaining arrangements, it is concerning that there remains no policy driver to increase affordable housing supply to help meet some of the most pressing housing demand. From the Federation's research, it was clear that community housing makes the best use of NRAS incentives. Community housing

providers are not motivated only by time-limited financial incentives but are committed to delivering long term social benefits to tenants and their communities.

As an effective mechanism for private sector engagement, many community housing providers blended NRAS incentives with private finance, other government funding and their own funds to ensure that a high proportion of the dwellings developed under NRAS will remain part of the affordable housing system in perpetuity. Not only did community housing providers use NRAS incentives directly to enhance the supply of affordable housing, they were also the housing managers of choice for private investors who preferred to outsource the management of their NRAS dwelling to a community housing provider.¹⁴ This demonstrates the strength and diversity of the industry's engagement with the private rental market.

Some of the larger community housing providers were able to establish a unique affordable housing offering by combining their own NRAS incentives, their leveraged properties and NRAS properties managed on behalf of investors. In some cases, these portfolios are managed under a separate department within an organisation, where dedicated staff is appointed to manage, market and attract suitable affordable housing applicants. Most commonly, however, affordable housing portfolios are managed within the core housing management system.

It is also notable that community housing providers with sizable affordable housing stock increasingly use separate websites (such as domain.com.au and realestate.com.au) to advertise their affordable housing properties and select tenants from a larger pool of applicants.

These cases indicate growing diversification and the ability of the community housing industry to respond to distinct market conditions and segments in order to meet affordable housing demand.

The main challenges identified by community housing providers in managing affordable housing portfolio were related to finding suitable tenants that meet precise income bands for affordable housing eligibility; the absence of a common waiting list from which suitable applicants can be drawn and balancing different expectations from private investors who are not very familiar with the affordable housing products. This is particularly the case with some small private investors who wish to exercise a greater control over their investment.

Working in partnership with support providers and real estate agents

The core business of community housing is the provision of social and affordable rental accommodation. Since a safe and secure home is a fundamental need this provision already dramatically improves the livelihood and wellbeing of families on low to moderate incomes. The industry is diversifying and seeking additional ways to offer a range of additional “non-housing” or “housing plus” integrated services to meet the needs of tenants and the wider community. These services are normally brokered through a range of partnerships with government, the private sector and other not for profit organisations.

In the Federation's consultations, several innovative partnerships involving community housing providers, homelessness service support providers and real estate agencies were identified. These

¹⁴ Community Housing Federation Australia 2013. National Rental Affordability Scheme Participant Roundtables November-December 2012: Final Report. CHFA, Canberra

partnerships have arisen as local responses to the housing affordability pressures and the need to prevent homelessness among clients with diverse needs whose private rental tenancy may be at risk. Some examples of these collaborative approaches are the McArthur Real Estate Engagement Project, the North Coast Accommodation Project and Platform 70. These illustrate the positive effects of these partnerships on tenants and on communities more generally. (see Appendix for detailed description).

The strength of these collaborations lies in the ability of community partners to engage real estate agencies in an effective way to achieve sustainable outcomes for tenants. They also work towards changing perceptions and practices that see tenancy terminations as the only response to rent arrears and neighbourhood disputes. The key determinant of success in these cases is the partners' ability to react early and provide timely support to vulnerable tenants by being proactive partners of real estate agents when they discover that a tenancy may be in crisis. When a trusting relationship has been established, community housing providers highlighted that real estate agents were more likely to contact the provider or the support partner to engage support networks, address the rent arrears and save tenancy thus avoiding the need to issue notices of terminations.

While formal evaluations of these new partnerships are yet to be conducted, the evidence collected during the Federation's research indicates there is ample scope for replication of these partnerships in other areas in NSW. These partnerships can also be quite effective in preventing homelessness as they seek to assist tenants and sustain their private rental tenancy. However, integrating services can also be challenging and to be successful requires time, financial resources, shared goals and leadership to overcome organisational, sectoral and program "silos"¹⁵. Community housing providers make the commitment to facilitate integrated services because they understand that it can be an effective way of enabling tenants to maintain their tenancy.

The Federation understands that these highly collaborative partnerships in private rental market engagement are one of the key elements of the recent homelessness services reforms. For good client outcomes, a seamless collaboration and service integration is necessary, especially in the case of vulnerable clients with high support needs. The Federation's research also identified an opportunity for a greater coordination of activities related to the real estate engagement, specifically where this engagement forms part of the "rapid-rehousing" approach for solving homelessness.

¹⁵ Phillips, R, Milligan, V., and Jones, A. (2009) Enhancing the effectiveness of Australian social housing integration initiatives, AHURI Final Report No.129

Implications for policy and practice

The research identified a range of potential improvements to engagement with the private rental market, including models from other jurisdictions. In the Federation's consultations for this project, community housing providers identified several opportunities to enhance existing relationships with the real estate industry as a whole. These related to establishing partnerships between government, community and commercial providers, including small scale investors. The common driver of all identified opportunities was to ensure better access to appropriate and affordable housing for low income households. Research also noted additional models for which further research scope is warranted.

Enhancing relationships between the two industries

There are numerous examples of very effective relationships between community housing providers and individual real estate agencies. These partnerships work best when real estate agents perceive community housing providers as equal partners and they constructively work together to achieve mutual benefits for their mutual clients. Community housing providers have demonstrated that they can achieve effective tenancy management, maintain regular rent payments, minimise tenancy turnover and maintain the asset. Landlords' interests are well protected and the real estate agent's management responsibilities are significantly reduced as a result of management responsibility being transferred to the community housing provider.

It is also evident that many providers have established long term relationships with their real estate agencies based on mutual trust and their knowledge of local market conditions and tenancy support services. Some providers suggested that these successful local approaches could be further extended by establishing a greater collaboration with the real estate industry possibly through memoranda of understanding with the real estate industry. This also has the potential to increase the supply of low cost rental properties as landlords become better informed about the community housing industry's capacity to manage these properties.

Improving the capacity of community housing to manage private rental properties

The community housing industry's capacity to manage private rental properties could be further improved by establishing more favourable long term lease conditions such as, for example, utilising commercial leases with a set of incentives for the landlord, or undertakings to provide property upgrades at the end of the long term lease. Providers noted that a similar model once existed, where they were able to secure a private rental lease for seven years, with the property upgrade at the end of the lease.

Defence Housing Australia, for example, operates on a similar set of assumptions: one of their housing service models utilises long term private rental leases from a private investor, with an undertaking to return the property in the same or improved condition after the lease ends.

The advantage of the commercial lease model for community housing providers is reflected in the possibility of achieving greater control over the rental property and therewith the optimal outcomes for their tenants. For the management of social housing tenancies to be most effective, tenancy

and property management need to be integrated, rather than split between community housing and private landlord who, under a standard lease agreement, retains the responsibility for maintenance. The Federation's research indicates that housing management, either social housing or affordable housing, is even more effective when property management includes sufficient control of the asset to use the portfolio to support tenant outcomes and overall viability. Greater control over the rental property also means that the community housing provider has more certainty surrounding future rent increases allowing them to more accurately project income and expenditure of their headleasing portfolios.

The ability to administer a range of private rental assistance products currently delivered by Housing NSW would also mean minimising duplications in the social housing system. Better assistance to clients who are identified as suitable for a PRA product could be also achieved if a provider is able to offer this assistance at the time the need for it is identified. The Federation recommends that FACS, in close consultation with the community housing industry, further explores these opportunities.

Effective communication between community housing, tenants and landlords

The examples of the McArthur Real Estate Engagement project, the North Coast Accommodation Project and Platform 70 demonstrate that tangible results are achieved when real estate agents and community partners have a mutual understanding of the clients and their specific needs. The Federation's consultations with community housing providers involved in these partnerships identified that community partners can achieve not only improved tenant outcomes but also important savings to real estate agents and landlords as timely tenant support and engagement eliminates the costs of tenancy termination, chasing rent arrears and evictions costs.

Distinguishing features of these projects are "business-like" communication strategies developed by community housing providers and their support partners in private market engagement: they understood that real estate agencies consider these cost savings as beneficial and were more likely to engage with partners to save tenancies when they knew that efficient support could be provided to tenants.

The Federation's research identified an opportunity for greater coordination of activities related to real estate engagement, in particular where this engagement forms part of the "rapid-rehousing" approach for solving homelessness. In these types of partnerships, community housing providers should continue to play an active role in private rental market engagement as they are the experts in multi-faceted aspects of tenancy management. The Federation recommends that FACS explore the possibilities for replicating these successful local arrangements in close consultation with community housing providers, and develop effective coordination mechanisms for private market engagement within the rapid rehousing models. This may include developing communication protocols so that real estate agents have clarity about the first point of contact in case the tenancy comes under strain.

Future research should also be conducted to explore the feasibility of replicating this partnership model in other parts of the state.

Enhancing development of affordable housing

The NRAS has been one of the most significant drivers of the affordable housing development nationally. Community housing industry has used NRAS incentives to deliver much needed rental housing below market price to residents who otherwise would be locked out of local housing markets due to affordability pressures.

The Federation considers that the unprecedented scale of housing unaffordability requires a strategic response and recommends that the NSW Government develops a new policy for affordable housing in close consultation with the industry as part of the upcoming social housing strategy. This policy should seek to build on the existing community housing growth and innovation and allow for a specific growth fund for the delivery of additional affordable housing by community housing providers.

Alternative models of engaging with the private rental market

Reflecting extreme housing unaffordability and the need to enable a continuous supply of low cost rental housing, the research identified two innovative models of engagement with private landlords to increase the supply: Home Ground Real Estate operating in Melbourne, Victoria and the Build to Rent Model in the United Kingdom. The application of these models to the NSW circumstances should be explored further.

Home Ground Real Estate is the recently established commercial arm of the Home Ground homelessness services. The organisation acts as a real estate agency, but it reinvests any profits generated through the commercial activity to bolster the supply of additional affordable housing and deliver their homelessness support services. The innovation of this model is reflected in their affordable housing initiative targeted specifically at property owners who are philanthropically inclined and willing to donate their property or who are willing to forgo a percentage of their rental income to provide affordable rental to low income tenants.

The Build to Rent initiative was established by the UK government to stimulate the provision of purpose-built rental housing to households for whom homeownership is out of reach. The initiative addresses the dominant private rental product provided by the buy-to-let market which is characterised by landlords who own one or two properties, meaning the quality can be variable and long term tenancies hard to find¹⁶.

The initiative provides equity finance for up to 50 percent of a project's costs. Once complete, the developer either leases or sells the development and the government recoups its investment¹⁷. The Build to Rent initiative represents a large government investment in the supply of affordable housing, with £1 billion committed to providing equity finance to purpose-built private rental housing. It is estimated that an additional 30,000 affordable properties will be provided as result of this initiative. Importantly, housing associations are eligible to access this funding and use it to add to their own portfolios of affordable housing.

¹⁶ Resolution Foundation 2013. The Challenges of Build to Rent for UK Housing Providers. Resolution Foundation United Kingdom

¹⁷ National Housing Federation 2013. Equity and Loan Funds, <http://www.housing.org.uk/policy/development-and-regeneration/funding-regeneration-and-development/equity-and-loan-funds/>

In addition, the UK government also developed a new model tenancy agreement which will provide tenants with a clear guide to rental contracts. The purpose of these model tenancy agreements is to enable tenants to identify which clauses in their agreement are optional or unique to that property, and help them to negotiate longer fixed-term tenancies and demand greater certainty over future rent rises.

Conclusion

Community housing providers have a long and successful history of engaging with the private rental market. Since their beginnings as community housing tenancy schemes in 1982, community housing had to demonstrate their ability to source and maintain these relationship to ensure service delivery to their clients and sustain their existence as not for profit organisations.

Due to this long presence in their local communities, community housing providers have a close knowledge of their local housing markets, an established presence and effective working relationships with real estate agencies and private landlords. In addition, community housing providers understand the need for service integration to support tenant livelihoods and wellbeing. The industry is also diversifying and seeking additional ways to offer a range of additional “housing plus” integrated services to meet the needs of tenants and the wider community.

The current position of the private rental market means that community housing providers also work in environments with limited affordability, particularly in metropolitan areas where the rental vacancy rate is well below the widely acceptable affordability benchmark of 3 percent. Despite these difficulties, community housing have demonstrated their ability to use their subsidies and leverage their resources and relationships in innovative ways to meet the needs of their tenants. The findings of these projects demonstrate that despite challenges, community housing providers already play a very important role in this market by engaging proactively with landlords and real estate agencies for the benefit of all stakeholders involved.

With the right policy settings in place the community housing industry is uniquely positioned to play a more active role in the supply of affordable housing across a diverse income spectrum and achieve even greater growth through direct liaison with the private rental market. Some of the models that could be implemented in NSW on a larger scale are, for example, the Build to Rent model, Defence Housing Australia and the Home Ground Real Estate agency model. These innovations in private rental market engagement deserve policy-makers’ attention and support.

In the absence of a clear government commitment to address the ever growing housing affordability problem, the role of community housing providers to establish, maintain and leverage these relationships will become even more important. The community housing industry is recognised as key to the provision of more social and affordable housing. As well as respected social enterprises which link community trust with tenancy and asset management expertise, community housing is an efficient pathway for maximising public subsidy (such as the CHLP) and achieving social and financial outcomes.

Future research is needed to further explore the feasibility of some of the innovative models’ application in NSW as well as exploring new opportunities as part of the National Disability Insurance Scheme. Exploration of new funding models with a more favourable set of incentives for landlords and private investors may be needed if greater bridging between community housing and the private rental market is to be achieved. Opportunities for achieving greater property control which can closely integrate tenancy and asset management, either through commercial leases or better institutional arrangements with the real estate industry, also deserve policy attention.

Case studies

Bridge Housing – reducing homelessness through the private rental market

Bridge Housing operates in some of the highest cost property markets in NSW. In order to source properties, their approach includes working closely with local real estate agents. Their headleasing portfolio consists of more than 600 properties sourced directly from 300 real estate agencies. This means that the organisation has many relationships with real estate agencies, predominantly located in the inner West and Eastern suburbs of Sydney. Bridge Housing notes that they have retained the majority of their leases for between two and fifteen years, demonstrating their ability to manage tenancy effectively.

Bridge Housing operates Platform 70, an innovative housing first initiative that provides stable housing for homeless people through the private rental market. The program offers additional support services through support partner Neami. Many of the program's tenants had previously been living on the streets and accessing various homelessness services for many years.

Platform 70 has proved very successful so far, with participants sustaining 95 percent of tenancies. Importantly, the program has also broken down many misconceptions about the ability of long-term homeless people to live successfully in the private rental market. Many Platform 70 tenants have entered their second year of tenancies.

The program's success also involves the organisation's partnerships with other community housing providers such as Metro Housing, SGCH, Hume Community Housing and Link housing which have housed 22 percent of Platform 70 tenants.

Compass Housing's affordable housing program

Compass Housing Services is the largest regional housing provider in Australia, currently managing 3,245 properties. Its affordable housing portfolio includes properties from various programs such as the Building Better Cities Program in conjunction with Newcastle Council as well as the NRAS program. In recent years, Compass purchased 165 new properties, delivering much needed social and affordable housing in the Central Coast region of NSW. Building strong relationships with private sector developers through these projects allows Compass to be a part of future developments to assist in providing mixed communities

Compass manages its affordable housing portfolio through "My Place Property" – a separate business division of Compass Housing. The separate branding is intended to avoid confusion on the side of applicants over the definition of affordable housing and to present more like a real estate agency.

Macarthur Real Estate Engagement Project

The Macarthur Real Estate Engagement Project's aim is to support new and existing tenants in the private rental market to sustain their tenancies and prevent homelessness. The project also assists people experiencing homelessness to access housing in the private rental market.

Two community housing providers, Hume Housing and Argyle Housing are one of many community partners in this initiative.

The project uses a collaborative approach to address the needs of those at risk of homelessness, using existing resources of the service system. The project involves collaboration between real estate agents, non-government and government organisations to ensure that people experiencing issues with sustaining their tenancy in the private rental market reduce the likelihood of eviction. This practice has further cemented relationships between partners and has seen a more collaborative approach to save tenancies at risk.

The benefit of the MacArthur Real Estate Engagement project is that tenants are able to save their tenancies and real estate agents are able to support people in continuing in their current tenancy thus reducing the stress, time and cost of eviction for all involved.

Real estate agents refer people with at risk tenancies to the project. The Project working party includes The Drum (Uniting Care Burnside), St Vincent de Paul, Department of Human Services – Centrelink, NSW Family and Community Services, Housing NSW and Hume Housing. There are 5 Macarthur Real Estate agents working on this project: Property People Campbelltown, Combined Macarthur, Richard and Wrench Campbelltown, Prudential Campbelltown and Ray White Macarthur group.

Services in this project bring a wealth of resources to the table including brokerage to assist in rental arrears, housing options, case management support, agents willing to assist applicants on lower income, information and referrals.

Lithgow Community Tenancy Scheme –long term engagement with local real estate agencies

Lithgow Community Housing is a community housing provider in the Blue Mountains region of NSW. The organisation developed and nurtured numerous effective and mutually beneficial relationships with local real estate agencies, such as LJ Hooker and Richardson & Wrench. Such relationships assisted this community housing provider in sourcing new rental properties as part of headleasing arrangements. As the relationship has been long standing and successful, real estate agents offer available low cost rental properties to the organisation on a preferential basis.

Recently Lithgow Community Housing achieved positive results for tenants with support needs in collaboration with local support service providers and real estate agencies. The provider's role was to provide tenancy management while the support agency provided case management and other support to sustain tenancies. Real estate agents were able to get in touch quickly with the provider in the case of rent arrears or other tenancy management issues. At the end of 12 months support the tenants were able to demonstrate their ability to live independently and they transitioned to a mainstream tenancy provided by the same real estate agency. The agent and the landlord were convinced that the clients demonstrated the ability to live independently. This meant that Lithgow Community Housing was able to take up another fee-for-service arrangement with the support agency and focus their housing management services on another client.

Hume Community Housing – assisting clients to transition to the private rental market

In 2012 Hume Housing introduced a tenancy education training called “Rent It and Keep It” to equip tenants to gain and improve skills to secure and maintain a tenancy in the private rental market. The training has been well received and tenants that demonstrated the required skills and knowledge to be a “good renter” received a certificate to present with their housing application when seeking rental properties.

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