

JUST WHAT IS AFFORDABLE HOUSING?

A PERSONAL PERSPECTIVE

By

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“Affordable housing is that housing that is accessible to a wider range of income groups including moderate as well as low income; usually the bottom 40% of household incomes.” (NCHF Prospects for Future Supply, a discussion paper April 2002)

Whilst the drive in the Community Housing sector is towards affordable housing rather than “social” housing we need to ask ourselves, “why is it so?”

The pat answer to that question is the identification of an area of need within the community that is not being met by either the private or Government sectors. The real answer is more likely to be, that it will produce additional income to the community housing providers and thereby increase the viability of the individual organisations.

How does it work? A good question as in all states but WA the respective Departments of Housing have established affordable housing task forces and are seriously looking at ways and means to address the problem. Note, the majority of work is being carried out within government at a state level and again one must ask is it because of the need or is it because of the actual decrease in CSHA dollars and the States see this as another avenue of increasing public housing income. You must remember that in the majority of instances on the eastern seaboard, even if community housing agencies manage the properties, the proceeds or “surplus remain the property of the Housing authority manage the housing

If we are to get serious about the problems of the affordable housing market and I openly acknowledge that the problem exists then community providers need to become just that, providers, not just pseudo managers of government housing.

For this to occur there will need to be a drastic shift in Government policy. All organisations that have a desire to grow and enter into the affordable housing arena will most likely already have a portfolio of housing held on lease arrangements with the respective housing authorities. The States now need to forego their claim on surpluses (with certain provisos) so as to enable the organisations to raise additional capital funding by way of gearing against surplus cash-flow. In other words the organisation borrows money in the market place to a level that can be easily serviced by its existing cash flow.

Most prudent lenders will still seek tangible security for these borrowings although lending decisions will be based on ability to service the debt and it is here that the States need to make a fundamental shift in policy. The State needs to give the lender a guarantee mortgage over the leasehold property of the organisation so that it places itself in the position of Mortgagor and the organisation remains the borrower with the responsibility for the payment of the debt.

Funds thus raised can then be utilised by the organisation to develop housing in its own right which it can aim directly at the affordable market and the security created by the new project can then be utilised to retire the State backed debt. The end result being direct ownership of the housing and the ability to repeat the exercise once the original debt has been retired.

This concept is currently being utilised to a lesser degree by my own organisation, Perth Inner City Housing Association (Inc) (trading as City Housing)

In the late 90's City Housing became the first Community Housing agency in WA to utilise a mix of cash and borrowings to provide equity into a 20 unit development with the Department of Housing & Works.

The project came in at a total cost of some \$2.2m of which City Housing contributed some \$1.0m by way of land at \$700k and construction of \$300k. of this total of \$1.0m half was straight cash and land and the remaining half was by way of bank loans secured by the development against cash flow and underwritten by the State by way of a Put-Option agreement between the State, the Bank and City Housing.

City Housing was entitled to utilise its 50% of the project for affordable housing or even market rate housing with the remaining 50% to be made available to people who were public housing eligible. Based on the organisations waiting list at that time and the evident demand, City Housing elected to make all of the housing available to Public Housing eligible persons.

Another method currently being utilised to address affordable housing is through Joint Ventures with local government. In this instance, the City of Subiaco, concerned with the drift of long-term residents from its area and the gentrification of the suburb made available to the organisation a heritage listed building within the city precincts. The building was of a run down nature and required extensive modification and extensions that became the responsibility of the organisation. The resultant project provided accommodation for up to 6 mature age women who would otherwise have needed to relocate out of the area.

The major avenues for the supply of affordable housing by community organisations in WA will be through partnerships with the private development sector. There is a strong feeling in that sector that the State will soon make it obligatory for any development of land acquired through government disposal

to include a component of not less than 10% and not more than 15% low-income/affordable housing.

From discussions with various developers it would appear that they would prefer to deal with an established community based housing provider rather than a State Govt department or Qango with all of the incumbent bureaucracies in place. This attitude does not bode well for the proposed Govt established Not-For-Profit housing companies despite the perceived success of City West in NSW and the Brisbane Housing Company.

I won't cover the Brisbane Housing Company here as details are now well documented and available from the CHCWA on request but the situation of City West does warrant some further study.

City West was established under the Building Better Cities program in the early to mid 90s'. The company was established under the auspices of the Office of Housing in NSW with the specific brief to rejuvenate the rundown areas of Pyrmont and Ultimo. Initial seed capital of \$45m was provided by the Commonwealth under the better cities program and the State then placed a development levy or tax on all private development proposals within the precinct.

This ongoing funding coupled with the initial injection of capital has resulted in an urban renewal that is the show place of guided developments in Australia. Whilst the initial aim was to generate affordable housing market forces soon came to work on the area and it now contains some of the most expensive real estate in the inner city of Sydney.

The original concept called for the creation of a diverse range of housing ranging through low-income rental housing, (housing commission) affordable housing (lower 2 quintiles) and market related housing. The market and affordable housing was developed both as rental properties and retail (for sale). As to affordability I would doubt that there are many low-income people living in City West who are not paying well in excess of 30% of disposable income in housing costs.

So what do we do for affordable housing? It must be evident to all that the best placed organisations to take on this market are the existing Community Housing providers but they cannot do it on their own.

The sector needs to be supported by Government and not necessarily by direct funding but by freeing up the cash producing assets already managed by the sector.

Governments need to acknowledge the expertise that is present in the community housing sector and encourage innovation in new housing models.

Affordable housing needs to be divorced from the present Community Housing budget allocations as there will always be a critical need for the supply of emergency, crisis, low-income and housing for the disabled (mental and physical).

Should the Government create a plethora of these Not-For-Profit housing companies? By going down that path they are setting themselves up in competition with a sector that they have been actively building for the last 10 to 15 years to what end? To bring it to its knees by letting out company property on a management basis. The State may as well utilise the services of real estate agents for its management, as the hands on tenant liaison presently in place cannot be undertaken on a token management fee.

In closing I would only say to the relevant States, encourage your existing Community Housing providers to be innovative, remove the restrictions that make them housing managers and encourage opportunities for them to become housing providers. From here organisations will only grow. Additional funds created through higher rents in affordable housing can be generated back into the system for the production of low-income housing and a careful husbanding of sector assets will result in an orderly and continual growth in housing stocks over and above the growth that would be generated from capital grants alone.

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