

## Productivity Commission - Human Services Reform Preliminary Findings Report (R90/0071 LG)

### SUBMISSION – MUSWELLBROOK SHIRE COUNCIL

Attention; Anna Heaney

#### **BACKGROUND**

*Australia's human services sector is facing significant challenges, including increasing demand for services due to the ageing population, the effect of technology and cost increases associated with new and more complex service provision demands. Finding innovative ways to improve the efficiency and cost effectiveness of the human services sector, and to target services to those most in need, will help ensure that high quality service provision is affordable for all Australians and leads to improved outcomes for the economy and individuals. <http://www.pc.gov.au/inquiries/current/human-services/identifying-reform/preliminary-findings>*

This submission represents the opinions of Muswellbrook Shire Council staff regarding the Human Services Reforms to the provision of health, education and community services with a focus on innovative ways to improve outcomes through, introducing principles of competition and informed user choice whilst maintaining or improving quality of service.

This submission period closes on 14 October, 2016 (Received by staff on 5 October, 2016).

#### PART A – SOCIAL HOUSING

- (1) *Four out of five social housing properties are managed by government entities, yet there are a large number of housing providers — both not-for-profit and for-profit — that could perform this service. Community housing providers outperform public providers on some indicators, including tenant satisfaction and property maintenance.*
- (2) *Reform options could be explored in Australia to address supply constraints and increase the housing options available for prospective social housing tenants.*

Muswellbrook Shire Council area (population approximately 17,209) currently holds more than 600 social housing properties that are;

- (a) Significantly older than approximately half the comparative housing options in Muswellbrook Shire LGA.
- (b) Owned by NSW Housing Corporation and operated by Compass Housing
- (c) Are available without waiting list – which is creating a significant 'churn' in tenancies.
- (d) Poorly located adjacent to the Muswellbrook Sewage Treatment Plant
- (e) Poorly designed - one road in and out
- (f) Creating poor social outcomes due to the close proximity of neighbours
- (g) Without connectivity or inclusion in the wider community.
- (g) Experiencing high criminal activity
- (h) Transport challenged (irregular public transport options) and not within close proximity to health and education services.

The following Alternative Housing Options for Wollombi Road Precinct Discussion Paper was prepared by Council staff last year (2015) in response to the poor social outcomes that occurred in our Shire following the shift from Government to non-government management of our social housing properties and for the information of our Council.

These issues continue to worsen and MSC are now working with a number of government departments to improve what is otherwise a situation beyond the capacities, both financial and human, of Compass Housing to rectify.

This document provides alternative options that we suggest would achieve any Social Housing reform process.

# Alternative Housing Options for the Wollombi Road Precinct Discussion Paper

<b>Contents</b>	
<a href="#">Introduction</a> .....	1
<a href="#">Purpose</a> .....	2
<a href="#">Overview</a> .....	2
<a href="#">The Issues</a> .....	3
<a href="#">NSW Housing Spectrum</a> .....	3
<a href="#">The Need for Affordable Housing</a> .....	4
<a href="#">Affordable Housing and Community Diversity</a> .....	4
<a href="#">Defining Affordable Housing</a> .....	5
<a href="#">The Social Housing Context</a> .....	5
<a href="#">Current Housing Mix in South Muswellbrook</a> .....	6
<a href="#">Roles of Each Level of Government</a> .....	6
<a href="#">Options for Promoting Affordable Housing in South Muswellbrook</a> .....	9
<a href="#">Examples of Affordable Housing Options</a> .....	9
<a href="#">Conclusion</a> .....	14
<a href="#">References</a> .....	15
<a href="#">Appendix A: Distribution of Housing NSW property in the South Muswellbrook Area</a> .....	17

## Introduction

The Wollombi Road residential area has a history of socio-economic and geographic disadvantage. This has been recognised by Council and the drafting of the Wollombi Road Residential Precinct Master Plan offers a way for revitalisation of this neighbourhood. The New South Wales (NSW) government, through the Hunter Regional Leadership Group, supports the Master Plan as it offers a place-based and people centred planning opportunity.

One component of this strategy could be the development and provision of alternative, or affordable, housing strategies to foster a population that is more reflective of the rest of Muswellbrook. Affordable housing offers low to medium income earners who would otherwise be unable to purchase property the chance to become home owners.

A range of affordable housing strategies, policies and approaches have been proven to work in both Australia and overseas and may be adapted to contribute to the renewal of the Wollombi Road area. These schemes offer both tenancy purchasing and renting arrangements. Many are based on some sort of shared equity scheme, with various fiscal incentives; planning levers and developer incentives augmenting these schemes.

Effective partnerships with key stakeholders, such as state government; developers; the community housing sector; and financiers, are vital in implementing an effective affordable housing program. This is particularly the case in the Wollombi Road area as much of the land is owned by the NSW government. Where council-based partnerships are not feasible, Muswellbrook Shire Council can advocate for other partnerships and arrangements.

## Purpose

To summarise affordable housing options that have the potential to encourage greater population diversity in the Wollombi Road residential precinct, or South Muswellbrook, area.

## Overview

South Muswellbrook is a stigmatised locality, with a spatial concentration of socio-economic and socio culturally disadvantaged people. It is also an area of locational disadvantage – i.e. the neighbourhood characteristics place the residents at a disadvantage through factors such as poor access to/from the area, isolation from the rest of the town, a high proportion of social housing, and limited facilities. This stigma is anecdotally reflected in the broader community through the often adverse comments made about the area. This negative perception of the South Muswellbrook area may further impact on South Muswellbrook resident's education and employment prospects.<sup>1</sup>

The challenge, identified as part of the Wollombi Road Residential Precinct Master Plan, is to generate physical, social and attitudinal change; more effectively incorporating the South Muswellbrook area into the wider community; to revitalise the built environment; and encourage diversity within the area.

---

<sup>1</sup> Cheshire, L., et al. (2014, p2)

Historically, solutions to address systemic disadvantage often focus on either a person-centred or a place-based approach. Programs which focus on both people and place, such as neighbourhood renewal programs, are less common<sup>2</sup>, possibly due to the challenges associated with implementing a necessarily comprehensive action plan.

With the adoption of the Wollombi Road Residential Precinct Master Plan and the formal support of the Hunter Regional Leadership Group, Muswellbrook Shire Council, in conjunction with the NSW Government, has an opportunity to revitalise the area through a neighbourhood renewal program, promoting the area as a liveable and integrated part of Muswellbrook and encouraging a more diverse population.

An element of this renewal is identifying and implementing strategies promoting a more diverse housing tenure. In 2011, 48.5% of the South Muswellbrook population were in social housing and private rental<sup>3</sup>, with owner/occupier representing a smaller proportion of the housing market in this area compared to the rest of Muswellbrook.

This paper focuses on means of increasing diversity in the community through broadening the available options for affordable housing. This includes initiatives that fall outside the sole scope of Council, but where Council can take a strong advocacy role and utilise the support of the Hunter Regional Leadership Group.

## The Issues

The majority of the land in the South Muswellbrook area is owned by Housing NSW (Appendix A). The area has a high density of social housing; a concentration of lower private rental housing; old public and private housing stock which does not meet current building standards and/or different tenant needs; housing which has limited capacity to be cost-effectively modified to encourage ageing in place or to accommodate different needs; a widespread perception that it is not desirable or safe to live in the area; few options for encouraging a more diverse community; limited access to services and consists of urban design that no longer meets community needs or expectations.

## NSW Housing Spectrum

The following broadly represents the NSW housing spectrum.

<sup>4</sup>



In Australia, the gold standard of accommodation is home ownership. Most people would prefer to own their own home rather than rent. Social and community benefits perceived to arise from home ownership include a greater sense of belonging and security of tenure.<sup>5 6 7</sup> However, people on social

<sup>2</sup> Ibid, p4

<sup>3</sup> Bullen, P., (2014, pp197-198)

<sup>4</sup> NSW Department of Family and Community Services (2014, p5)

<sup>5</sup> Vitis, L., Ware, V. & Gronda, H. (2010, p55)

support or low to moderate incomes face constraints which place home ownership out of their reach.<sup>8</sup> Examples of these constraints are low educational attainment; inability to secure employment; poor health; escaping violent or abusive situations; underlying issues adversely affecting capacity to save for a conventional deposit; house price growth exceeding wage growth; a shortage of suitable private rental; or an inability to access social housing or financial support, resulting in their total income being utilised to meet daily needs.

Without some form of assistance for low and medium income earners, home ownership is unattainable. This has been recognised by the NSW and Commonwealth governments and is reflected in programs such as the First Home Owner's Grant which are intended to improve housing affordability and, more recently, in the *National Affordable Housing Agreement*, signed by the Commonwealth and all States and Territories.

### **The Need for Affordable Housing**

Having accommodation that is affordable, safe and suitable is a determinant of health and well-being and is fundamental to having a sense of belonging, ability to function and, ultimately, makes a positive contribution to our community. Provision of affordable, adaptable and accessible housing contributes to equity and social justice imperatives.

The ability to offer a range of housing options assists in establishing diversity, which fosters a more vibrant, socially heterogeneous and economically sustainable community. Additionally, as part of a broader neighbourhood renewal scheme, there is potential to reduce the negative perceptions of an area, and, significantly, a quantifiable benefit to the wider community in the order of \$2.20 returned in non-housing benefits for ever \$1.00 spent on renewal.<sup>9</sup>

### **Affordable Housing and Community Diversity**

Provision of affordable housing in the South Muswellbrook area has the potential to directly contribute to increased community diversity by facilitating entry into home ownership by groups who otherwise would not be able to do so and who are often experiencing housing stress. Private renters are disproportionately affected by housing stress, with sole parents; families with young children on low incomes; and low-income single people also affected.<sup>10</sup>

It is projected that the number of Australians aged 65 and over living in low-income rental households will more than double from 195,000 in 2001 to 419,000 in 2016. This deprives them of an important component of the Australian welfare system – outright ownership of one's own home, which allows retirees to live on relatively low incomes. This financial disadvantage is compounded by the disproportionate cost of private rental to retirees, having significant implications for individuals and the broader community.<sup>11</sup>

---

<sup>6</sup> Urban Research Centre University of Western Sydney (2008)

<sup>7</sup> Hulse, K., Burke, T., Ralston, L. & Stone, W. (2010, pp4-5)

<sup>8</sup> Ibid, p3

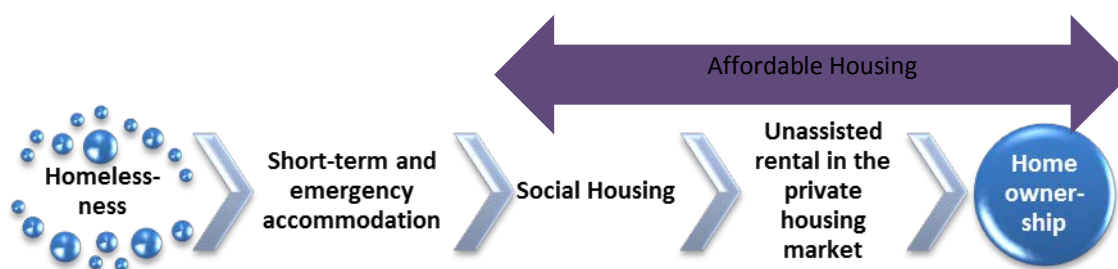
<sup>9</sup> Wood, G. and Cigdem, M. (2012, p25)

<sup>10</sup> Urban Research Centre University of Western Sydney (2008, p13)

<sup>11</sup> Ibid, p14

## Defining Affordable Housing

The definition of 'affordable housing', varies, but is commonly considered to be "housing which is affordable (in that it accounts for no more than 30% of gross household income) for low and moderate income groups across home ownership, private rental and government rental tenures."<sup>12</sup> Given this definition, social housing is one component of the affordable housing spectrum, and a better representation of the housing spectrum might be:



## The Social Housing Context

Much of NSW's social housing was established after the Second World War to provide housing for low income working families. This included the South Muswellbrook area, which was developed in response to a need for affordable housing and the population influx associated with industry development in the Muswellbrook area. Since then, the social housing tenant demographics have radically changed, with nearly 60% of tenants being singles, not families.<sup>13</sup>

Australian Housing and Urban Research Institute research<sup>14</sup> on social housing exits has shown: that there has been a decrease in tenancy turnover in the past decade, resulting in a decline in availability of social housing; that State Housing Authorities across Australia have been seeking ways to promote the exit from social housing of tenants no longer deemed in high need of housing support, with mixed results; that there is little evidence that social housing tenants in paid employment are intending to exit social housing; that Household, Income and Labour Dynamics in Australia survey analysis indicates there has been a significant decline in the paid employment of exiting households; that most social housing tenants prefer to stay in social housing permanently; and there are perverse incentives discouraging social housing tenants seeking and obtaining employment. Despite this, there has been a decline in the number of exits into home ownership in recent decades.

In November 2014, the NSW Department of Family and Community Services released a discussion paper on social housing, noting that the sustainability of the social housing system remains a challenge, due to rising expenses associated with ageing stock; declining relative income; changing

<sup>12</sup> Davison, G., et al. (2013, p6)

<sup>13</sup> NSW Department of Family and Community Services (2014, p5)

<sup>14</sup> Weisel, I., et al. (2014)

tenant profiles resulting in housing not meeting needs; limited choice and demand exceeding supply. The social housing status quo is not an option and the NSW government is pursuing a new direction, based on:

- providing opportunity and pathways for client independence;
- fairness; and
- sustainability.<sup>15</sup>

### Current Housing Mix in South Muswellbrook

In the South Muswellbrook area, a majority of the land is owned by Housing NSW, with title deeds belonging to either Housing NSW or Compass Housing and housing being managed by either Housing NSW or Compass Housing. Appendix A shows the distribution of Housing NSW owned property. The remaining accommodation is a mix of private rentals, owner/occupiers and other. Tenure in South Muswellbrook differs markedly from the rest of Muswellbrook, as shown in Table 1.

**Table 1: Tenure and Landlord Type by Area<sup>16</sup>**

	Owned – outright/ with mortgage	Renting			RENT TOTAL	Other Tenure	TOTAL
		Real estate agent	State Housing Authority	Other			
<b>Muswellbrook South</b>	<b>31.2%</b>	24.3%	24.2%	7.7%	<b>56.2%</b>	12.4%	100%
<b>Rest of Muswellbrook</b>	<b>62.4%</b>	19.8%	2.5%	7.8%	<b>30.0%</b>	7.7%	100%

### Roles of Each Level of Government

All levels of government have a role to play in promoting improved housing outcomes. Although the primary responsibility for housing policy and funding sits with federal and state government, local government may play a role in facilitating housing delivery and retaining existing affordable housing within this broader framework.

<sup>15</sup> NSW Department of Family and Community Services (2014, pp6-7; 12)

<sup>16</sup> Adapted from: Bullen, P., (2014, p197)

The Affordable Housing National Agreement<sup>17</sup> sets out the Commonwealth, State, Local and shared roles. They are:

<b><i>Commonwealth Roles</i></b>	<b><i>States and Territories</i></b>	<b><i>Local Government</i></b>	<b><i>Shared roles and responsibilities</i></b>
a. leadership for national housing and homelessness policy, including Indigenous housing policy	a. Leadership for housing and homelessness policy, including Indigenous housing policy	a. Building approval processes	a. Develop national policy for housing, homelessness and Indigenous housing;
b. income support and rental subsidies	b. Housing and homelessness services, administration and delivery	b. Local urban planning and development approval processes	b. (b) identify and share best practices;
c. immigration and settlement policy and programs	c. Housing for Indigenous people, including in remote areas	c. Rates and charges that influence housing affordability	c. share data, including a commitment to provide data for the national minimum data set and a commitment to the continuous improvement of data;
d. financial sector regulations and Commonwealth taxation setting that influence housing affordability	d. Land use, supply and urban planning and development policy		d. provide home purchase assistance
e. competition policy relating to housing and building	e. Housing related financial support and services for renters and home buyers		e. Set joint priorities for evaluation and research.
f. provision of national infrastructure	f. Housing related State and Territory taxes and charges that influence housing affordability		
g. Housing related data collected by the Australian Bureau of Statistics and Centrelink	g. Infrastructure policy and services associated with residential development		
h. Coordination of homelessness data collection from States and Territories	h. Tenancy and not-for-profit housing sector legislation and regulation		
	i. Collection and publication of data from housing providers and agencies that provide services to people who are homeless		

The stated outcomes for this agreement include people being able to rent housing that meets their needs and people can purchase affordable housing.

<sup>17</sup> Intergovernmental Agreement on Federal Financial Relations, p6



## Local Government – Statutory Framework<sup>18</sup>

The *Local Government Act 1993*, *Environmental Planning and Assessment Act 1979*, *Local Government (General) Regulations 2005* and various other statutes define local government’s role in relation to housing. The following table summarises the roles and responsibilities of local government in NSW and their relationship to housing outcomes.

Local Government Role	Relationship to Housing Outcomes
<b>Corporate Planning</b>	
Resource allocation	May include: <ul style="list-style-type: none"> <li>• Council resource allocation to support housing initiatives</li> <li>• Different rates and charges for low-cost or community housing providers</li> <li>• Grants to local housing groups or initiatives</li> </ul>
<b>Urban Planning</b>	
Land use zoning	<ul style="list-style-type: none"> <li>• Availability of residential land</li> <li>• Location of housing in relation to transport Services and employment opportunities</li> <li>• Cost/value of residential land</li> <li>• Configuration of residential development density</li> </ul>
Setting development controls	<ul style="list-style-type: none"> <li>• Appropriateness of housing for community needs and expectations</li> <li>• Cost of new housing and renovations</li> <li>• Environmental impact of housing</li> <li>• Protection of existing housing stock</li> </ul>
Development application processes	<ul style="list-style-type: none"> <li>• Efficiency of approval processes</li> <li>• Consideration of housing impacts as part of social and economic impact assessments for development proposals</li> </ul>
<b>Infrastructure Planning</b>	
Levying contributions for infrastructure	<ul style="list-style-type: none"> <li>• Cost of housing</li> </ul>
Planning and providing infrastructure	<ul style="list-style-type: none"> <li>• Timely availability of appropriate services</li> <li>• Value of housing</li> </ul>
<b>Social Planning</b>	
Preparation of Social Plan	<ul style="list-style-type: none"> <li>• Identify community housing needs regarding access, equity, participation and rights</li> </ul>
Provision of local community services	<ul style="list-style-type: none"> <li>• Support groups with particular housing needs</li> <li>• Support people to remain in existing housing</li> <li>• Coordinate support, provide access to information about available services</li> </ul>
Research	<ul style="list-style-type: none"> <li>• Maintain data on local housing needs</li> </ul>
<b>Integrated community building activities</b>	
Master planning	<ul style="list-style-type: none"> <li>• Work with private/public developers to encourage appropriately designed and affordable housing and address diverse community needs in urban releases or renewal areas</li> <li>• Ensure this housing is located near services, transport and employment opportunities</li> </ul>
Neighbourhood renewal	<ul style="list-style-type: none"> <li>• Work with private/public property owners, developers and residents to enhance amenity, appropriateness, safety and sense of community in residential areas, through physical design and community building</li> </ul>

<sup>18</sup> Adapted from NSW Department of Family and Community Services (2014)

## Options for Promoting Affordable Housing in South Muswellbrook

As the above table demonstrates, there are many ways that local government can independently, in partnership, and as an advocate for change, influence the nature of accommodation within the Local Government Area.

The support of the NSW Government, through the Hunter Regional Leadership Group, for the Wollombi Road Residential Precinct Master Plan offers Muswellbrook Shire Council the opportunity to implement and advocate for housing options that can foster an increase in home ownership and better security for tenants. This also complements NSW Housing's new social housing model.

Strategies to promote investment in affordable housing supply fall broadly into fiscal incentives/capital subsidies; planning levers and developer incentives.<sup>19</sup> The key to each strategy is establishing effective partnerships.

Primary stakeholders in any housing renewal project in South Muswellbrook include:

- Muswellbrook Shire Council
- NSW Government agencies (particularly Department of Premier and Cabinet; Family and Community Services (State Housing); Department of Education)
- Compass Housing Services (and/or other not for profit housing provider/s)
- Developers (commercial and/or not for profit sector)
- Financiers (government and/or private sector)

Muswellbrook Shire Council could elect to enter into partnerships with various key stakeholders to promote affordable housing initiatives. It could also encourage the NSW government to undertake appropriate partnerships which to provide more affordable housing in the South Muswellbrook area.

It may be worth noting that strong not for profit housing companies/associations have been vital in developing and managing affordable housing opportunities obtained through the planning process and that mandatory schemes for affordable housing development have been demonstrably more effective.<sup>20</sup> This offers two potential areas for both advocacy and local action.

## Examples of Affordable Housing Options

### *Rent to Own*<sup>21</sup>

Rent to Own is a form of vendor finance which offers potential home purchasers the chance to buy the home they are currently renting, over a defined period. It consists of two components: the rent element and the own element.

The rent element is a standard residential lease which is at market rent, allowing the tenant/buyer the right to occupy the property. The own part is in the form of a sale option, giving the tenant/buyer the option of purchasing the rented property for a pre-agreed price at a point in the future. The rent and the sale option money should be around the same as the equivalent loan repayments if the tenant were paying off the home. Over the defined period, the tenant/buyer pays

---

<sup>19</sup> Urban Research Centre University of Western Sydney (2008)

<sup>20</sup> *ibid*, p35

<sup>21</sup> [http://www.vendorfinancelawyer.com.au/rent\\_to\\_own.htm](http://www.vendorfinancelawyer.com.au/rent_to_own.htm)

money under the sale option that can be credited against the price. This gives the tenant/buyer a future deposit to enable them to secure a home loan for the outstanding monies and improving their creditworthiness meaning that they are more likely to qualify for a home loan. The tenant/buyer can sell the house during this time, but must pay out the agreed price.

The rent to buy scheme can be modified to make it more viable for low to medium income earners through involvement of the State Government either as financier and/or through using Community Housing Associations to develop stock for subsidised leasing with an option for the tenant to purchase via a 100 per cent loan. Protection to at-risk tenants included a “hardback” option if negative equity occurred. It also allowed tenants to gain a credit rating. This approach is in by South Australian Government.<sup>22</sup>

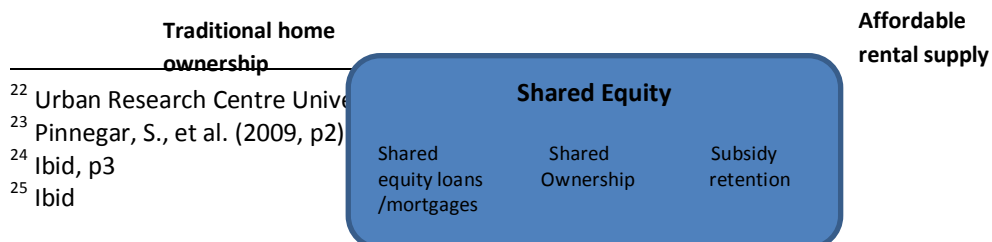
### Shared Equity Schemes

“Shared equity arrangements cover the range of products, schemes and initiatives which ‘enable the division of the value of a dwelling between more than one legal entity’... This umbrella term encompasses government-backed and private sector-led schemes based on arrangements whereby the purchaser enters into an agreement with a partner to share the cost of purchasing a property.”<sup>23</sup>

Shared equity approaches can improve affordability for homebuyers by decreasing deposit requirements and ongoing housing costs; may give mortgage lenders the ability to expand into new markets; offer equity investors a more flexible way of investing in residential real estate; provides government with a means to develop frameworks that can help households access and sustain home ownership and contribute to policy reform and a way of providing more affordable and appropriate housing.<sup>24</sup>

Shared equity forms are diverse, reflecting different types of partnership and market perspectives of these partnerships. They reflect arrangements such as the delineation of rights and responsibilities of the purchaser and partner; how the property’s value is divided; apportioning of risk and exposure to equity growth/loss; and expectations regarding subsidy preservation or recoupment. Shared equity arrangements attempt a balance between ‘transitional’ and ‘continuing’ arrangements.

Transitional arrangements focus on helping consumers enter the property market and facilitating the purchaser’s asset accumulation and continuing arrangements focus on protecting accessibility to affordable home ownership and preservation of supply.<sup>25</sup>

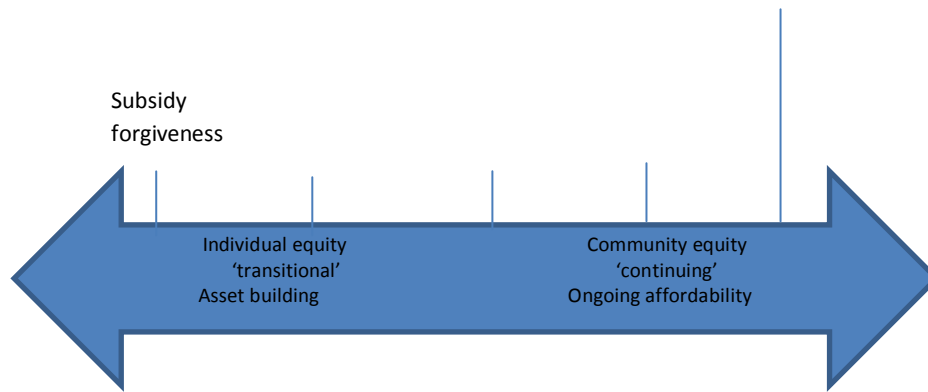


<sup>22</sup> Urban Research Centre Unive

<sup>23</sup> Pinnegar, S., et al. (2009, p2)

<sup>24</sup> Ibid, p3

<sup>25</sup> Ibid



South Australia, Western Australia, and the Australian Capital Territory have current shared equity schemes. Links to these schemes are at Appendix B.

### *Shared Ownership*

A shared ‘ownership’ scheme is slightly different in that tenants make repayments on the mortgage component and pay rent on the remaining portion owned by the state government and /or Community Housing Provider (CHP).

Shared ownership is generally regarded as an early approach to shared equity, reflecting policies aimed at giving public housing tenants opportunities to own a part-share in their property while paying rent on the remaining share. Funds released through owning a part-share in the property may then be used to fund new social housing to be sold on a part-share basis to the selected target groups. This approach enables tenants to gain from market growth, as is the case with shared mortgage equity arrangements, but also provides a mechanism for minimising the need for a subsidy and preserves the general affordability in the property.

Upon the sale of properties where the value has increased, a proportion of public subsidy may be recouped for reuse in subsidised programmes. However, capital gains can be seen to accrue disproportionately to the tenant at the expense of achieving a ‘fairer share’ of that initial subsidy to help preserve ongoing affordability or ‘community equity’.

It is possible for the returns of private equity partners to be increased via subsidies, tax concessions, and similar mechanisms implemented by government. Such incentives may be offered through individual homebuyers, or to developers undertaking multi-unit or estate developments.<sup>26</sup>

### *Community Land Trust*

Community Land Trusts (CLTs) are a form of common land ownership where land is usually held by a private non-profit organisation and leased on a long term basis to members of the community or other organisations. Buildings and services on that land are held as owned or leased properties by residents. Ground leases are inheritable and properties on leased land can be bought and sold according to a resale formula spelled out in each CLT’s ground lease. This arrangement can offer many of the widely acknowledged benefits of home ownership, including resident control over a dwelling, security of tenure and transfer of occupancy rights, and the potential for asset wealth building. CLTs are specifically designed to achieve these benefits under financing, pricing and

---

<sup>26</sup> KPMG (2012)

regulatory arrangements that improve affordability for residents, while also protecting the long term affordability of the housing that is held for future generations.

CLTs simultaneously address affordability issues and foster and sustain an ongoing relationship between resident households and their community. This is because they carry a dual focus on ongoing affordability and community development that enables substantial flexibility in their operation. Hence, CLTs can and do provide boarding houses, affordable rentals, cooperative housing and mortgage home ownership, as well as community, commercial and open spaces.

There are over 200 CLTs operating in the United States of America and the sector is growing rapidly in the United Kingdom. The classic CLT model, where a CLT holds the land title and conveys title to any improvements (e.g. buildings) on that land to the resident, who then owns the improvements via a Deed of Warrant is not currently possible under Australian law because of the lack of a central registration system for such Deeds and because Australian law says that buildings are part of the land.<sup>27</sup> However, models similar to the classic CLT, such as residential villages, have been possible as a result of specific legislation being drawn up to permit them. Further, as at 2013, there was considerable interest in establishing a CLT sector and there are several CLT-like schemes operating in Australia.<sup>28</sup>

The Australian Housing and Urban Research Institute acknowledges that there are several issues for implementation around general operating requirements and unfamiliarity and market issues; such as most CLTs struggling to retain financial autonomy if they steward less than 200 housing units. However CLTs offer home ownership to those unable to enter into 'full' home ownership in addition to other benefits.<sup>29</sup>

### *Limited Equity Cooperatives*

Limited Equity Cooperatives (LECs) are a means for a group of low-moderate income households to support each other in achieving home ownership. They require a small amount of subsidy for establishment costs, but are found to be mostly self-sustaining thereafter.<sup>30</sup>

In the US, limited equity housing cooperatives are the most common means for generating affordable housing. There are three main types of owned housing cooperative: market-rate, limited-equity and zero equity. Limited-equity is a compromise point between total return of profit to the resident (market-rate) and no return of profit to the resident (zero-equity). Residents own a share in one or more multi-unit buildings rather than own their own home. This gives the shareholder a right to reside in a cooperative property. They are responsible for monthly charges to cover the cooperative's costs. Share appreciation is linked to an agreed index, such as the Consumer Price Index, and can be sold or bequeathed. Housing market fluctuations are reflected in the share value, and if the most a new cooperative member will pay a departing member is less than the indexed value, the share will be transferred at the lower value. As part of its rules, the cooperative determines how much a shareholder may recoup from improvements they pay for themselves.<sup>31</sup>

---

<sup>27</sup> Crabtree, L., et al. (2013, pp4-5)

<sup>28</sup> Ibid, pp25-26

<sup>29</sup> Crabtree, L., et al., (2012, pp34-35)

<sup>30</sup> Vitis, L., Ware, V. & Gronda, H. (2010, p2)

<sup>31</sup> Urban Research Centre University of Western Sydney (2008)

### ***Deed Restrictions***

Deed restrictions applied to affordable housing that is sold at a discounted rate to an eligible purchaser can provide a means for low to moderate income earners of securing a home. Examples of these restrictive covenants include limiting increases in resale prices for a specified duration and limiting on-selling to other buyers who meet set criteria<sup>32</sup> and requiring the purchaser to reside in the home for a mandatory period.

### ***Other Options***

Other options that provide support for home ownership include:

- Waiving/reducing stamp duty and other transaction costs of home purchase
- Homebuyer education and financial literacy programs to build potential low/moderate-income homebuyers' awareness of the rights and responsibilities of home purchase
- Government subsidised mortgage protection insurance
- Mortgage brokers with a specific mandate to find the most cost-effective and appropriate mortgage products for low-moderate income households
- Grants for home maintenance and renovation<sup>33</sup>
- Mandatory contribution to a fund for new affordable housing from each new dwelling and a condition on all new commercial development that provides housing reflective of their average employee need. The mandatory contribution scheme has been effective in Canada<sup>34</sup>
- Option of allowing low-moderate income earners to salary sacrifice into a first home buyers/home buyers mortgage trust<sup>35</sup>

### ***Affordable Rental Accommodation***

Whilst acknowledging that the primary goal is to make the purchase of affordable housing available to people on low to moderate incomes, it is equally important that appropriate and affordable rental accommodation is available, and growing the not-for-profit rental housing sector is a key to increasing the supply of affordable rental housing.<sup>36</sup> Provision of affordable rental housing to low and middle income earners may also offer them a means of saving for a deposit and entering the housing market via some form of affordable housing scheme.

### ***Sustainable, Adaptable and Energy Efficient Affordable Housing***

Further, when considering implementation of affordable housing, factors such as sustainability; adaptability and energy efficiency should be included. A sustainable, adaptable and energy efficient dwelling offers economic and security benefits to the tenant or home owner. Minimising or reducing utility costs assists in reducing housing stress. Dwellings that are readily modified to suit the owner's changing circumstances offer continuity of housing and the ability to age in place if desired.

---

<sup>32</sup> Ibid, p30

<sup>33</sup> Vitis, L., Ware, V. & Gronda, H. (2010, pp20-22)

<sup>34</sup> Urban Research Centre University of Western Sydney (2008, p23)

<sup>35</sup> <http://www.nickxenophon.com.au/media/releases/show/home-affordability-a-super-idea/?Stage=stage>

<sup>36</sup> Vitis, L., Ware, V. & Gronda, H. (2010, p21)

## Conclusion

There are a variety of proven affordable housing options which can assist low to moderate income earners to purchase their own home and to ensure that affordable, appropriate and amenable housing is available.

If Council chooses to pursue any of the options discussed then the next step will be to seek more detailed information from a suitably qualified external practitioner.

## References

- Bullen, P., (2014) *Residents, Engagement and Community Building: Muswellbrook Opportunities for Working Together*. Muswellbrook: NSW.
- Cheshire, L., Pawson, H., Easthope, H. and Stone, W. (2014) *Living with place disadvantage: community, practice and policy*, AHURI Final Report No.228. Melbourne: Victoria.  
<http://www.ahuri.edu.au/publications/projects/myrp704>
- Crabtree, L., Blunden, H., Phibbs, P., Sappideen, C., Mortimer, D., Shahib-Smith, A., Chung, L. (2013) *The Australian Community Land Trust Manual*, Sydney, NSW.  
[http://www.uws.edu.au/\\_data/assets/pdf\\_file/0006/600567/Australian\\_CLT\\_Manual.pdf](http://www.uws.edu.au/_data/assets/pdf_file/0006/600567/Australian_CLT_Manual.pdf)
- Crabtree, L., Phibbs, P., Milligan, V., and Blunden, H., *Principles and Practices of an Affordable Housing Community Land Trust Model*. (2012) AHURI Research Paper, Melbourne: Victoria,  
[http://www.ahuri.edu.au/publications/download/70639\\_rp](http://www.ahuri.edu.au/publications/download/70639_rp)
- Davison, G., Legacy, C., Liu, E., Han, H., Phibbs, P., Nouwelant, R., Darcy, M. and Piracha, A. (2013) *Understanding and addressing community opposition to affordable housing development*, AHURI Final Report No.211. Melbourne: Victoria.  
<http://www.ahuri.edu.au/publications/projects/p71007>  
[http://www.vendorfinancelawyer.com.au/rent\\_to\\_own.htm](http://www.vendorfinancelawyer.com.au/rent_to_own.htm)
- Hulse, K., Burke, T., Ralston, L. & Stone, W. (2010) *The benefits and risks of home ownership for low-moderate income households*, AHURI Final Report No. 154. Melbourne: Victoria.  
[http://chfa.com.au/sites/default/files/node/230/ahuri\\_final\\_report\\_no154\\_the\\_benefits\\_and\\_risks\\_of\\_home\\_ownership\\_for\\_low\\_moderate\\_income\\_households.pdf](http://chfa.com.au/sites/default/files/node/230/ahuri_final_report_no154_the_benefits_and_risks_of_home_ownership_for_low_moderate_income_households.pdf)
- Intergovernmental Agreement on Federal Financial Relations, *National Affordable Housing Agreement*.  
<http://www.federalfinancialrelations.gov.au/content/npa/housing/affordable/national-agreement.pdf>
- KPMG, *Social Housing A Discussion Paper on the Options to Improve the Supply of Quality Housing*. (2012) Melbourne: Victoria.  
<http://www.nwhn.net.au/admin/file/content101/c6/KPMG%20Report%20-%20Victorian%20Housing%20Framework%20-%20social%20housing%20options%202012.pdf>
- NSW Department of Family and Community Services. (2014) *Social Housing in NSW. A discussion paper for input and comment*. Sydney: NSW.  
[http://www.facs.nsw.gov.au/\\_data/assets/file/0009/303030/Social-Housing-in-NSW\\_Discussion-Paper.pdf](http://www.facs.nsw.gov.au/_data/assets/file/0009/303030/Social-Housing-in-NSW_Discussion-Paper.pdf)
- Pinnegar, S., Easthope, H., Randolpy, B., Williams, P., and Yates, J. *Innovative financing for homeownership: the potential for shared equity initiatives in Australia*. (2009) AHURI Final Report No.137 Melbourne: Victoria.  
[http://www.ahuri.edu.au/publications/download/ahuri\\_70394\\_fr](http://www.ahuri.edu.au/publications/download/ahuri_70394_fr)
- Urban Research Centre University of Western Sydney (2008) *Housing affordability Literature Review and Affordable Housing Program Audit*. Sydney: NSW.



[http://www.uws.edu.au/\\_data/assets/pdf\\_file/0004/164623/landcom\\_report\\_2008-07-21.pdf](http://www.uws.edu.au/_data/assets/pdf_file/0004/164623/landcom_report_2008-07-21.pdf)

Vitis, L., Ware, V. & Gronda, H. (2010) *Intermediate housing markets and effective policy responses*. Shelter Brief 43. Sydney: NSW.

[http://chfa.com.au/sites/default/files/node/147/intermediate\\_housing\\_markets\\_and\\_effective\\_policy\\_responses.pdf](http://chfa.com.au/sites/default/files/node/147/intermediate_housing_markets_and_effective_policy_responses.pdf)

Weisel, I., Pawson, H., Stone, W., Herath, S. and McNelis, S. (2014) *Social housing exits: incidence, motivations and consequences*, AHURI Final report No.229. Melbourne: Victoria.

<http://www.ahuri.edu.au/publications/projects/p71026>

Wood, G. and Cigdem, M. (2012) *Cost-effective methods for evaluation of Neighbourhood Renewal programs*, AHURI Final Report No.198. Melbourne: Victoria.

<http://www.ahuri.edu.au/publications/projects/p30670>

Appendix A: Distribution of Housing NSW property in the South Muswellbrook Area



Muswellbrook's experience has been, and will continue to be, informed by two key factors: the fortunes of the coal mining industry and the disproportionately large number of public houses compared to the overall population base.

During the mining boom, private rental was beyond the means of people eligible for public housing, both in terms of availability and cost. With the downturn in the mining industry, the number of available rental vacancies increased significantly and, commensurately, rental prices significantly decreased, even in newly developed estates. In order to attract tenants, these private rents are now similar to or less than public housing rentals. Consequently, many long-term, settled tenants from Muswellbrook South have exited their 1970s era public housing, into new, or near new, houses.

As is standard NSW public housing practice, the next eligible recipient/s are offered the resulting vacant public housing. This has led to a large number of new tenants and their families who have no connection to the local area; are unfamiliar with regional Australia; have few skills relevant to the local job market; have little, or no, extended family support; and who have little or no intention of residing in Muswellbrook in the longer term.

Subsequent impacts have included increased incidences of juvenile misbehaviour requiring Police intervention.

Additionally, Council has concern that, should the economic circumstances improve, there will be a commensurate increase in rental costs beyond the means of the ex-public housing tenants, necessitating a return to the public housing pool, the consequent extended period of waiting for an available house (as the Commission notes, this may be up to 10 years in NSW), and requiring a move away from family, established support networks, schools and 'home' when a vacancy becomes available in NSW. This is potentially deleterious to both the tenant and broader Muswellbrook community.

Council would encourage any social housing review consider the impacts on prospective social housing tenants of dislocation from their local area and provision of transitional support to facilitate an improved likelihood of social housing tenants moving to the area having access to employment opportunities and encouraging engagement in the local community.

Council would cautiously welcome an exploration of suitable reform options which consider the quality of housing; improved matching of tenants with housing and the opportunity for permanent residence (including appropriate training for local employment opportunities); use of community housing providers who are part of and interested in the local community and greater flexibility in choice of public/private housing options (which may necessitate landlord incentives to encourage them to offer their properties to people eligible for social housing).

Council supports improved, systematic and universal collection of high quality relevant data and improved local government access to this data for the purposes of strategic planning.

#### PART B – GRANT BASED FAMILY AND COMMUNITY SERVICES

- *Governments could deliver a better mix of services if they took a systematic approach to identifying what the community needs.*
- *Engagement with service providers and users at the policy design stage could increase the quality and efficiency of services.*



Council acknowledges that there are complexities around developing and implementing a more systematic approach by Governments in identifying community needs. However, efforts should be made to systematise and streamline a coordinated local approach to service delivery as a means of decreasing instances of the same, or similar, services being delivered via multiple avenues. Our experience is that delivery of community services is optimised when there are good local connections across services. Council supports early engagement with service providers and users as a way of increasing the quality and efficiency of local services.

Service provision in this region is fragmented and there are clearly identified gaps, for example in specialist areas of paediatrics, child and adolescent mental health services and other allied health services. Greater integration of existing services with new technologies, such as telehealth, offers one means to provide more comprehensive integrated services and/or specialist primary and secondary services.

Additionally, this systematic approach will require accountability measures/review/data collection and integration with other support providers.

With regard to family and community service delivery there are ongoing issue of economies of scale in regional areas. The smaller population density, greater geographical dispersion and distance from metropolitan areas mean that economies of scale may not be feasible and that greater costs are incurred in the delivery. This potentially results in a poorer level of service (for example, NDIS recipients will need to sacrifice service delivery to offset the costs of lengthy travel times and/or lack of public transport). When examining opportunities relating to economies of scale, consideration should be given to the differences between urban, regional and remote areas.

*The Commission is seeking participants' views on what constitutes improved human services. Do the concepts of quality, equity, efficiency, responsiveness and accountability cover the most important attributes of human services? If these are the most important attributes, how should they be measured or assessed?*

*The Commission is seeking feedback on whether the factors presented in figure 2 reflect those that should be considered when identifying human services best suited to increased application of competition, contestability and informed user choice.*

*Participants are invited to submit case studies of where policy settings have applied the principles of competition, contestability and user choice to the provision of a specific human service. Such case studies could describe an existing example or past policy trial in Australia or overseas. Participants should include information on the:*

- *Pathway taken to achieve the reform*
- *Effectiveness of the policy in achieving best practice outcomes for quality, equity, efficiency, responsiveness and accountability*
- *Applicability of the case study to the provision of human services in Australia if it is an overseas example*

*The Commission is seeking information on which human services have these characteristics:*

- *Service recipients are willing and able to make decisions on their own behalf and, if not, another party could do so in the best interest of the recipient.*
- *User-oriented, timely and accurate information to compare services and providers can be made available*

**The Commission is seeking information on the supply characteristics of specific human services, including:**

- **Economies of scale and scope – in terms of costs and service quality – that may be lost by having a larger number of competing providers**
- **The potential for service provision to be made more contestable because there is capability beyond an existing provider that could pose a credible threat to underperformance**

- **Whether there are barriers to providers responding to change, or new suppliers entering the market, that limit the scope for increased competition, contestability and user choice or, if they do, what could be done to address this**
- **Technological change that is making competition and user choice more viable**
- **Factors affecting the nature and location of demand, such as geographic dispersion of users, the distribution of demand among different types of users, particularly disadvantaged and vulnerable users, and anticipated future changes in demand**