

## *Going for growth: the pros and cons of using community housing associations to increase housing supply*

Housing authorities across Australia are moving towards a new strategy for increasing housing supply. The strategy is based on the provision of Government capital (either through funding grants or through the transfer of title to public housing properties) which the recipient community housing organisation then uses to leverage private investment. Governments are attracted to this approach, called a 'growth provider' model, because of a perception that community providers are more flexible and innovative than public housing authorities, and because community housing providers have access to additional resources through tax breaks and their tenants' Commonwealth Rent Assistance. Anglicare has conducted research on this issue and these are our key findings.

The new growth providers receive capital investment from government but no recurrent funding. They have to cover maintenance, tenancy management, operational costs and the repayments on their private loans out of their revenue, which mainly comes from the rent paid by tenants. Making sure there is enough rental revenue to cover costs can involve:

- leasing a set proportion of the properties to moderate income earners, who then pay higher rents that can be used to cross-subsidise the lower income tenants;
- increasing rents to increase the amount of Commonwealth Rent Assistance for which tenants are eligible; or
- leasing some of the properties as 'affordable housing' instead of 'community housing'. Generally, tenants in community housing pay income-linked rents (e.g. 25% of income), while tenants in affordable housing pay market-linked rents (e.g. 75% of market rent). Affordable housing rents are therefore much higher than community housing rents.

All of these options mean an increased risk that tenants on very low incomes or with high or complex needs will be excluded from the new system.

In order to be successful at leveraging private finance and managing the resulting developments, growth providers must operate on a sufficient scale to be cost-effective. They also need in-house knowledge, skills and capacity in a range of areas to support their involvement in property acquisition, housing development, asset management, property management, tenancy management, body corporate management, private rental management and possibly community building, economic development or the administration of home purchase schemes.

Growth providers depend on private investment. For investors, there are two main drivers. The first is risk. Investors will not provide funding unless they have confidence that the growth provider has sophisticated and effective risk management systems in place and that the regulatory framework is robust, comprehensive and independent. The second driver for investors is return. There is a significant body of research demonstrating that providers will not be sustainable or attractive to investors into the long-term without ongoing subsidies and support from governments. At present levels, Commonwealth Rent Assistance does not provide an adequate subsidy.

The issues involved in successfully pursuing a growth provider strategy are complex. A new approach should not be implemented just because it is 'innovative', but because it will deliver the best possible outcomes for existing public and community housing tenants and for Tasmanians living in housing stress who need the affordability and security of tenure provided by public and community housing. In moving forward:

- **The State Government must first invest in Housing Tasmania**, providing recurrent funding that covers the full cost of providing housing and support to tenants and allows Housing Tasmania to increase supply as required.
- **The State Government must also invest in the community housing sector** to allow the sector to build on its strengths and improve its viability into the future as a meaningful provider of social housing.
- **If the State Government chooses to pursue a growth provider strategy** – or any strategy based on the leveraging of significant amounts of private finance – it must ensure that the system first benefits those most in need and delivers housing that is genuinely affordable and appropriate for low income tenants and people with complex needs, and that the new system does not undermine the viability and sustainability of the existing public and community housing systems.

© Anglicare Tasmania 2008

*The full policy paper on growth providers is available on Anglicare's website, [www.anglicare-tas.org.au](http://www.anglicare-tas.org.au).*

Anglicare Tasmania  
Social Action & Research Centre  
GPO Box 1620  
HOBART TAS 7001

**ANGLICARE**  
TASMANIA