



Nation Building

**ECONOMIC
STIMULUS
PLAN**

Nation Building - Economic Stimulus Plan Social Housing Initiative Stage 2

Investment in the not-for-profit social housing sector in Queensland

The Social Housing Initiative represents a commitment by the Australian, State and Territory Governments to significantly increase the supply of social housing throughout Australia and provide much-needed accommodation to many disadvantaged Australians, particularly those who are homeless or at risk of becoming homeless. The initiative will add 4,000 dwellings to Queensland's One Social Housing System.

April 2009



Queensland Government
Department of **Communities**

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1.0 Introduction

On 13 February 2009, the Australian Government approved a \$42 billion Nation Building - Economic Stimulus Plan, including \$6.4 billion nationally for social housing. The plan establishes commitments by the Australian Government and State and Territory Governments to pursue measures to address the implications of the global economic recession for Australia.

In Queensland, 4,000 new social housing dwellings are expected to be constructed under this initiative. The plan is being introduced in two stages. Stage one, involving 440 dwellings, has just been approved by the Australian Government and consists of projects already in the pipeline. Stage two is now commencing and is being targeted to not-for-profit housing providers.

Key features of the Social Housing Initiative are:

- Housing people who are homeless or at risk of becoming homeless
- Maximising the participation of not-for-profit providers in the development and management of housing
- Acquiring dwellings through new construction to maximise the economic stimulus effect
- 75% of dwellings must be completed by the end of 2010
- The average cost per dwelling must be less than \$300,000, and
- Expectations that 'leveraging' of assets will provide further dwellings within one social housing system.

Not-for-profit providers already make an invaluable contribution to one social housing system in Queensland through the provision of quality tenancy management to vulnerable households, the development of new housing and through the contribution of additional resources to the social housing system.

Social housing managed by not-for-profit providers works alongside the department's own direct management of social housing and complements other products and services available to assist people in housing need in Queensland.

The Social Housing Initiative is expected to facilitate the development of larger organisations, some operating in multiple Australian jurisdictions. Separate but related work is progressing on the policy settings, industry development initiatives and strategies and the regulatory framework required to create a mature and high functioning not-for-profit sector nationally.

This paper outlines:

1. The Queensland Government's procurement arrangements for not-for-profit housing under stage two of the Social Housing Initiative, and
2. Background information about the initiative and associated policy issues.

Throughout this paper, the term 'not-for-profit providers' has been used. This term refers to community and local government housing providers, churches and charities that provide social housing and other housing for low-income households. The term includes entities that are registered under the *Housing Act 2003* and those that are not registered.

Further background to the Social Housing Initiative is contained in Attachment 1 and can be accessed via the Australian Government web site:

www.fahcsia.gov.au/internet/facsinternet.nsf/housing/nbjp_factsheet.htm

2.0 Types of investment in not-for-profit housing

The Queensland Government will seek the involvement of not-for-profit providers in stage two of the Social Housing Initiative in two ways:

Capital investment will support the growth of a small number of organisations seeking to operate as significant developers of affordable housing. These organisations will demonstrate the capacity to increase their social housing portfolio by construction, purchase and leveraging the organisation's assets through borrowing and donations.

To facilitate these activities, it is expected that organisations will hold title to properties and would be subject to high prudential standards, such as those to be established under a future National Regulatory Framework. These organisations will have plans to grow up to and beyond 500 - 1000 units of accommodation.

They may undertake tenancy management functions directly or may elect to outsource this function to suitably qualified organisations, whose primary focus is social housing tenancy management. Tenancy management arrangements must focus on sustaining tenancies for clients who are homeless or at risk of homelessness and supporting the transition of clients to secure, long-term accommodation.

Head leasing arrangements will support an increase in the number of properties managed by not-for-profit organisations, including tenancy management organisations capable of managing large portfolios of 500 or more tenancies. Under these arrangements, departmental owned properties sourced under the initiative will be leased to suitably qualified managing organisations whose focus is on sustaining tenancies for clients who are homeless or at risk of homelessness and supporting the transition of clients to secure, long-term accommodation.

Queensland will seek to maximise not-for-profit management of housing delivered through the Social Housing Initiative. Management of properties by the Department of Communities will only be considered where management cannot occur through a suitable not-for-profit entity.

3.0 Principles to guide Queensland's investment in the not-for-profit sector under the Social Housing Initiative

The following **principles** will guide investment in Queensland's not-for-profit sector under the Social Housing Initiative:

1. Queensland's one social housing system will have an enhanced ability to meet the needs of people who are homeless or at risk of homelessness.
2. New construction must meet the key criteria outlined in the Australian Government's Social Housing Initiative Guidelines and provide immediate stimulus to the building and construction industry.
3. Organisations approved for new investment must be able to meet the specific requirements and performance criteria established by the Queensland Government, which will include their track record in management, development of new housing and integration within one social housing system.
4. Organisations approved for new investment must actively participate in strengthening regional service delivery networks, leading to improved regional integration and coordination across the social housing system, and quality outcomes for clients.

4.0 Application, approval and assessment process

The Australian Government's Social Housing Initiative Guidelines provide detailed direction to States and Territories on the administrative and delivery arrangements for the Social Housing Initiative. The Guidelines are available at:

http://www.fahcsia.gov.au/internet/facsinternet.nsf/housing/nbjp_factsheet.htm

Under the Guidelines, each jurisdiction is required to submit to the Australian Government a Procurement Plan outlining the processes proposed to be used to identify suitable proposals. Procurement Plans are required to detail:

- procurement arrangements to be employed e.g. open tender, select tender, expression of interest, preferred provider etc, and
- for each procurement method, a description - including advertisement details, targeting, justification of the method chosen, timelines, details of how the Australian Government Guidelines have been incorporated and how value for money will be determined.

Queensland's procurement arrangements for not-for-profit housing have been developed with regard to the Australian Government's Social Housing Initiative Guidelines and the Queensland Government Framework for Investment in Human Services. Under these arrangements, the Queensland Government intends to:

- deliver its investment in the not-for-profit social housing sector through capital investment and leasing arrangements as its core investment modes
- undertake a formal application process for both tenancy management and capital projects
- apply the essential criteria outlined in the Australian Government's Social Housing Initiatives Guidelines as mandatory requirements
- apply Queensland performance criteria to establish an organisation's capacity and performance in management, development of new housing and integration within the one social housing system, and
- subject all capital projects to an assessment to evaluate location, physical site, value for money, development approvals and apprentice employment.

Stage one capital grants

The stage one capital grants process has now closed. In stage one, the department sought applications from a small group of registered providers with recent construction projects. Providers with a strong track record in housing construction, that have land and development approval finalised or pending, were asked to submit project details using the 'Proposed new construction projects' template. Projects must be completed by 30 June 2010. The application deadline for stage one proposals was 2 March 2009. Some of these projects were not ready to proceed immediately, and will be considered in stage two.

Stage two capital grants

Under stage two, the department is seeking proposals for suitable social housing construction projects. Applications will be sought from April 2009 and will close on **1 June 2009**, to ensure adherence to the Australian Government's requirement that jurisdictions submit project proposals by 30 June 2009. Projects to be funded under stage two must be able to demonstrate performance against key selection criteria.

Advertising process

Details on the stage two application process for not-for-profit organisations will be made available via the department's website, an electronic newsletter to all registered providers, and through direct mail to other not-for-profit organisations which have previously sought social housing funding.

Information sessions will be held for interested stakeholders in key regional locations, and information will be distributed through housing area networks as they are established. Meetings will be held with the housing peak bodies, Queensland Shelter and the Tenants' Union of Queensland. Members of Parliament will also be informed of the application process.

Eligible providers

The procurement process will be open to all not-for-profit housing providers registered under the *Housing Act 2003* or those willing to become registered.

Organisations not registered under the *Housing Act 2003* and which have contributions of land, cash or significant local government contributions, will also be able to apply for capital grants. However, before receiving assistance from the department, not-for-profit organisations will be required to gain registration under the *Housing Act 2003* and manage the housing as part of one social housing system. Given the very tight timeframes involved with the Social Housing Initiative, the department will encourage unregistered organisations to develop tenancy management partnerships with experienced registered providers.

Provider contributions and timelines for capital grants

Providers that have contributions, or are able to secure contributions of land, cash, or other significant local government contributions, and that possess the capacity to deliver new residential construction by December 2010, are invited to apply to the department for a capital grant. A total of 75% of new construction must be completed by December 2010, all funds fully expended and all properties occupied by the end of 2011-2012. As the average unit price for housing must remain at or below \$300,000 per dwelling, Queensland's ability to deliver on investment targets will be enhanced through contributions from organisations.

Providers able to make a significant contribution but without capacity to deliver new residential, may apply and if successful, can engage Project Services in the Department of Public Works to manage construction.

Other information relating to capital grants

The Australian Government Social Housing Initiative Guidelines indicate one key reform is 'reducing concentrations of disadvantage through appropriate redevelopment to create mixed communities that improve social inclusion'. Furthermore, mixed developments with housing funded through other Commonwealth-funded housing programs such as the National Rental Affordability Scheme and the Housing Affordability Fund are encouraged.

Applications for capital grants should be made using the relevant application form which can be accessed at www.housing.qld.gov.au under 'Community programs'.

In certain circumstances, the department may accept late applications, however organisations are strongly encouraged to submit proposals by the due date.

Tenancy management

In addition to the two-stage capital grants process, the department will seek expressions of interest from registered providers for the management of selected properties constructed under the Social Housing Initiative.

Expressions of interest will be sought in April 2009 to coincide with the stage two capital grants application process and will enable the assessment of stage two applications to be informed by the availability of appropriately qualified tenancy managers.

Expressions of interest will close on **6 July 2009** and the department will provide notification of approved projects in August 2009.

Final approvals

The Australian Government has final responsibility for approval of all proposals submitted under stage one and stage two capital grants. The Director-General, Department of Communities, or their delegate, will approve proposals for expanded tenancy management.

5.0 Key selection criteria for not-for-profit organisations

All proposals for both stage two capital grants and tenancy management must meet the following mandatory requirements as well as performance criteria established by the Queensland Government.

Mandatory requirements

Organisations must meet the following mandatory requirements:

Mandatory requirement 1

Registration under the *Housing Act 2003* or preparedness to become registered.

Mandatory requirement 2

Accreditation or preparedness to obtain accreditation against the National Community Housing Standards. Existing providers which are required to gain accreditation in accordance with the *Housing Regulation 2003* must do so by 31 January 2010. New providers seeking registration may be required to obtain accreditation within 18 months. Where accreditation is not required under the *Housing Regulation 2003*, accreditation will not be a mandatory requirement but will be viewed favourably.

Mandatory requirement 3

Compliance with all requirements of the Housing Act and Regulation and assistance agreements and no outstanding compliance issues with the department.

Mandatory requirement 4 (applicable to applications for capital grants only)

Contribution of land, cash and/or infrastructure charges, either directly or indirectly through partnerships, for example with local government, that will result in additional social housing.

Mandatory requirement 5 (applicable to applications for capital grants only)

Location that meets demand for social and affordable housing.

Mandatory requirement 6

Alignment with the department's priorities and goals for social and affordable housing.

Mandatory requirement 7

Preparedness to take referrals from the housing register and charge rents in accordance with the department's funding requirements.

Applications from not-for-profit organisations will be also be evaluated to assess the organisation's track record in management, integration within the one social housing system, commitment to strong tenancy, asset, financial and risk management policies and procedures and capacity to manage the proposed increased property portfolio.

Performance criteria

Organisations must also demonstrate their ability to meet the following performance criteria. All proposals must demonstrate the following; however the complexity of evidence may vary to reflect the proposed property portfolio.

Performance criteria 1 - quality client outcomes

Ability to deliver quality client outcomes. For example, evidence to demonstrate the applicant:

- has a strong commitment to alleviating homelessness
- has a strong commitment to meeting the needs of clients with high needs
- undertakes surveys of tenants' satisfaction which find the overall quality of housing services and the results are acceptable
- develops and maintains arrangements to ensure tenants can access the support they need to sustain their tenancies
- contributes to initiatives that promote the benefits of social and affordable housing and support the local community where the provider operates at scale
- maintains a satisfactory level of tenant satisfaction with the condition and maintenance of the property, and
- demonstrates efficient and cost-effective use of properties and funding.

Performance criteria 2 - ability to work with stakeholders

Ability to work with stakeholders. For example, evidence to demonstrate experience in establishing partnerships, collaborative or consortia arrangements with other stakeholders.

Performance criteria 3 - robust and ongoing financial viability

Robust and ongoing financial viability into the long term. For example, evidence to demonstrate the applicant has:

- a capital structure that appropriately protects investments in social and affordable housing
- appropriate financial management policies and procedures, and
- business plans with historical data and long-term projections on available resources to meet current and future financial commitments for the expanded property portfolio.

Performance criteria 4 - good governance

Good governance. For example, evidence to demonstrate the applicant:

- is controlled by an effective governing body
- has appropriate arrangements, controls and processes for decision making
- complies with all relevant legislative, regulatory and contractual requirements
- has a code of conduct that ensures it maintains high standards of probity, and
- shows a commitment to maintaining the reputation of the not-for-profit community housing sector and appropriately responds to incidents that damage, or may damage, that reputation.

Performance criteria 5 - sound management

Sound management. For example, evidence to demonstrate the applicant:

- undertakes long-term planning that adequately identifies the priorities and resources necessary to sustain the delivery of social and affordable housing
- undertakes coherent and robust annual operational and financial planning
- undertakes risk management planning, including implementing controls for minimising the risk of loss of government investment, and
- undertakes asset management planning to ensure suitable properties are available now and in the future.

Performance criteria 6 - capacity to undertake property development (applicable to applications for capital grants only)

For example, applications should include evidence to demonstrate the applicant:

- has sufficient capacity and experience to deliver the project
- ensures that the costs for development projects are competitive
- ensures development projects run according to schedule within the specified budget
- ensures new housing will meet community, environmental and affordability standards, and
- has capacity to form partnerships that will secure non-government investment in development projects (not-for-profit organisation criteria).

New construction requirements

In addition to the key selection criteria for not-for-profit organisations, proposals for stage two capital grants must also meet selection criteria set by both the Australian Government and Queensland for all new construction. These criteria apply to proposals from both not-for-profit organisations and private developers and builders.

Commonwealth Government requirements

The Commonwealth Government requirements of the Social Housing Initiative are:

- (a) projects are to be assessed against the key selection criteria
- (b) community housing providers' capacity to be developed and ownership of properties increased to facilitate future leveraging
- (c) to promote mixed communities that provide social and economic opportunities for tenants, and
- (d) to achieve a broader range of social housing provision beyond the existing public and community sectors. This could include new and innovative solutions that may involve partnership arrangements between non-traditional social housing providers.

Proposals will be assessed against the detailed requirements listed in the Australian Government's Social Housing Initiative Guidelines.

Queensland Government requirements

The Queensland Government's aim is to ensure the wellbeing of its tenants is improved by access to safe, secure and appropriate accommodation.

This aim is reflected in the department's objectives, which are to ensure social housing accommodation is:

- (a) conveniently located to provide occupants with easy access to public transport and community infrastructure
- (b) widely dispersed through residential areas, exhibiting design diversity, but compatible with local housing appearance
- (c) predominantly 1 and 2 bedroom apartments/duplexes or 4 and 5 bedroom detached houses
- (d) well designed internally and externally to suit the needs of the occupants, incorporating universal design features where appropriate
- (e) value for money in terms of construction, future maintenance and operational costs, and
- (f) environmentally sustainable.

Projects must also demonstrate compliance with the State Government's requirement that apprentices represent 10% of the total workforce on the job and that Indigenous workers represent 20% of the total workforce in designated Indigenous communities.

Proponents will be required to report on the number of people employed on their project at regular intervals throughout the design and construction period.

6.0 Targeting of investment to housing need

Targeting of investment in social housing is guided by a range of factors including an analysis of housing need. The department undertakes an annual need analysis that identifies priority areas to be considered for investment in social housing. The analysis is based on the housing register, data for long-term social housing, and existing property portfolio and bedroom entitlements.

Across Queensland, 72% of applicants registered for long-term social housing (at February 2009) were entitled to one or two-bedroom accommodation, while 50% of social housing accommodation is in this size category. Additional four and five-bedroom dwellings are required in order to meet the

needs of both applicants and existing tenants seeking transfers to larger dwellings. The department will seek to increase the overall proportion of one, two, four and five-bedroom properties and will encourage mixed communities by guiding investment towards areas where the concentration of social housing is below 15 percent.

To inform investment proposals, the department will encourage not-for-profit organisations to access available data on the department's website at www.housing.qld.gov.au. (Click on 'Community programs', then 'Community Housing'). To inform a specific application for funding, organisations will be invited to contact the department to request a snapshot analysis of need, based on a specific location. Requests for information should be directed to the Planning, Research and Investment team on (07) 3227 7405 or via email to Danielle.waller@housing.qld.gov.au.

Locations with lower demand and social housing density higher than 15 per cent will be considered on a case by case basis. Support will be dependent on achieving the objectives of the Social Housing Initiative, such as mixed developments and diverse communities. Redevelopment of social housing sites owned by not-for-profit organisations will be viewed favourably, but must be straightforward in order to meet the timeframes for construction. Preferred dwelling sizes, universal design and energy efficiency should be offered.

The following table provides a guide to the proportionate location of construction projects that may be selected through the Social Housing Initiative. These indicative targets have been developed from an analysis of the housing register which takes into account applications from clients with very high need, high need and a proportion (25%) of clients with moderate need in each area office region. The targets give a proportionate distribution of the estimated 4,000 additional social housing rental units to be constructed in Queensland.

**Indicative regional targets for distribution of 4,000 rental units
in Queensland Social Housing Initiative 2009-2012
(Housing area office region boundaries)**

| Housing area office region | Number of rental units |
|----------------------------|------------------------|
| Bayside | 251 |
| Brisbane Central | 237 |
| Brisbane North | 305 |
| Brisbane South | 297 |
| Brisbane South West | 151 |
| Caboolture | 284 |
| Central Queensland | 137 |
| Far North Queensland | 278 |
| Gold Coast | 533 |
| Logan | 346 |
| Mackay – Whitsunday | 121 |
| North Queensland | 212 |
| North West Queensland | 36 |
| South West Queensland | 121 |
| Sunshine Coast | 286 |
| Torres Strait | 4 |
| West Moreton | 142 |
| Wide Bay – Burnett | 258 |
| Queensland | 4000 |

7.0 Queensland's one social housing system

The Queensland Government supports the delivery of not-for-profit social housing through state-wide funding initiatives and regional infrastructure. Housing assistance delivered by funded providers contributes to the Queensland Government's aims to strengthen communities and maximise opportunities for people to participate fully in the social and economic life of their communities.

Housing assistance delivered by not-for-profit social housing providers is integral to Queensland's one social housing system. Not-for-profit providers perform an important role in delivering housing assistance to clients, through direct assistance to homeless people, those in housing crisis, people with specific housing and support needs and people living in rural and remote areas.

Under the *Housing Regulation 2003*, all registered providers in Queensland are required to operate as part of the State's one social housing system. Since 2006, the Queensland Government has progressively introduced a range of policy reforms to achieve a more integrated and efficient social housing system. This has included:

- the application of common eligibility criteria for social housing assistance
- one application form for long-term social housing and one housing register replacing multiple waiting lists operating across the social housing system
- simple entry points for clients to access a range of housing assistance. Eligible clients can apply for all forms of social housing through one point of entry
- a standard process to assess clients' eligibility for a range of services, and allocate clients to housing
- streamlined allocation policies for matching clients to vacancies, and
- provision of social housing assistance for those with the greatest need, for as long as it is needed.

For registered providers, implementation of these reforms has required changes in individual service delivery arrangements, most notably through new client intake, assessment and referral arrangements. Critical to the successful implementation of these reforms has been the preparedness of organisations to develop closer working relationships with both departmental area offices and other registered providers in order to achieve local housing systems that are more responsive to client housing needs.

Other not-for-profit organisations considering participating in this initiative should become familiar with how being part of the one social housing system impacts on the operation of a project from tenant selection and eligibility through to vacancy management and rent collection. Further information is available at www.housing.qld.gov.au.

8.0 Proposed legal arrangements

Capital grants

The department is currently revising its Capital Assistance Agreement and a new form of agreement that will establish the terms and conditions of capital funding under this initiative. The agreement will be site-specific and specify the funding for construction, the expected outcomes such as yield, building form and terms of funding, including payment milestones and reporting obligations.

Head leasing arrangements

Registered providers seeking to head lease department-owned properties constructed through the Social Housing Initiative will be invited to apply to the department through the stage two process. The application process will establish a list of preferred providers that are pre-qualified to manage department-owned properties under head leasing arrangements.

A lease agreement between the department as property owner and the organisation as head tenant will establish the terms under which the department agrees the organisation will manage properties.

The department is in the final stages of reviewing its standard lease agreement. A revised lease agreement will give greater clarity around matters such as insurance and maintenance of department leased property and will provide for longer lease terms of three to six years, which will contribute to improved financial planning and viability of assisted organisations.

Under the terms of the new lease the department will be responsible for all property insurance and maintenance, except for tenant damage during the term of the lease. This will result in significant annual net savings to not-for-profit organisations, and may assist organisations to accrue surpluses and provide increased certainty around cash flows for financiers. The department is also evaluating the feasibility of establishing provisions within its head lease which would grant not-for-profit organisations with an option to purchase during the lease term.

Review of titles policy

As the proposed scale for expansion by the not-for-profit housing sector in Australia is significant, the department is reviewing its Titles Arrangements Policy to consider more flexible arrangements for property ownership which may accelerate sector growth.

Through its review of titles arrangements, the department will give consideration to the circumstances in which it will transfer title to an organisation or move to a second mortgage, allowing a lender to take first mortgage for the organisation to secure borrowings. Under any future arrangements, the department will ensure that appropriate safeguards are established to protect government investment in housing assets and the continuing use of social housing properties by people with high housing need. These arrangements will also be guided by the objective of the Australian Government to maximise leveraging to create additional units of social housing.

Any future transfer of title will be conditional upon organisations demonstrating high prudential standards that will be established in performance requirements specified by Queensland. Such requirements may include: a demonstrated capacity to operate at significant scale, full compliance with all statutory and contractual obligations, and a documented sound business plan which clearly articulates the best use and future leveraging of all properties planned for the portfolio.

The draft National Regulatory Framework, and in particular, the draft National Regulatory Code for not-for-profit growth providers, will be utilised by the department in establishing requirements to manage risk and support the development of the not-for-profit housing sector.

Use of surpluses

Current funding agreements allow surpluses generated from department-funded programs to be used for any expense subject to prior written approval by the department. Under these arrangements, the department will continue to consider requests for use of surplus funds on a case by case basis. Soundly based requests to use surpluses to increase the supply of cost effective

social housing in areas of high social housing demand, and/or provide quality client outcomes, will be favourably considered.

In addition, the department will consider requests from organisations which demonstrate high prudential standards to allow the use of surpluses on an ongoing basis to increase housing supply, through opportunities such as:

- contributions to capital projects so as to increase the size/scope of projects
- maximising leveraging opportunities, and
- seed-funding to scope further opportunities to increase housing supply.

The terms and conditions for departmental approval of ongoing use of surpluses may include:

- confirmation that surpluses will not be accrued at the expense of quality service delivery and sound organisational management, including long-term viability and staff training/development
- annual reporting of the use of surplus and outcomes achieved in the Community Housing Annual Financial Return
- confirmation that adequate funds are retained to ensure the ongoing viability of each program and meet any future repair and maintenance and capital obligations, and
- the department retaining the right to cancel or vary the arrangement.

In order to support the effective and efficient use of surpluses to increase housing supply and/or improve client outcomes, the department will pursue strategies to streamline the financial assessment process, reduce administrative burden for not-for-profit organisations and align with the objectives of the National Affordable Housing Agreement, the National Partnership Agreement for the Nation Building - Economic Stimulus Plan and the Queensland Compact.

9.0 Other assistance and initiatives supporting growth of not-for-profit housing organisations

Implementation of the mechanisms outlined in the department's *Strengthening social housing – a strategy to build capacity of not for profit social housing providers in Queensland 2008 – 2011* will be a critical component in repositioning not-for-profit social housing providers to operate at much greater scale and develop capacity to maximise opportunities for new affordable housing investment in Queensland.

The Not-for-Profit Business Development and Innovation Unit established within the department in January 2009 will prioritise a work stream focusing on organisations in receipt of assistance under the Social Housing Initiative. Capacity building initiatives will be implemented to assist providers to effectively manage substantial growth in their organisation, including support in the areas of:

- asset management of leased and titled properties
- tenancy management
- workforce development, and
- governance and organisational management.

The department will collaborate with other jurisdictions undertaking capacity building initiatives in order to maximise opportunities for efficient and effective use of resources and development of innovative approaches to support the growth, viability and sustainability of not-for-profit social housing providers in Queensland.

10.0 Size and scale of Queensland’s not-for-profit housing sector

In Queensland, there are as many as 13,000 dwellings that are owned and managed by not-for-profit organisations which have been funded by the Queensland Government over time. This number includes housing managed by remote Indigenous Councils.

In addition, around 2,000 dwellings are managed by Indigenous Community Housing Organisations, and an estimated several thousand dwellings with various funding histories are also scattered throughout the State. The latter are particularly in the aged and disability service sectors.

There are currently 324 registered not-for-profit social housing providers operating in Queensland. Eighteen of these organisations manage portfolios consisting of more than 100 dwellings. The largest provider, the Brisbane Housing Company, manages approximately 700 dwellings and the remaining 17 large providers manage between 100 and 550 dwellings each.¹

Significant recent growth in housing managed by not-for-profit providers has occurred through a doubling of the community-managed studio units recently constructed and the funding of new affordable housing projects.

A small number of organisations have established housing development experience. Mostly, these organisations are newly created housing companies or church based organisations.

Local government has a long history of involvement in this area, with larger regional councils currently favouring partnerships with housing companies rather than direct provision and management of housing.

The department’s vision and policy objectives for not-for-profit social housing are documented in the direction statement, *One Social Housing System: A New Direction for Community and Local Government Managed Housing in the Smart State 2006 – 2011*. The direction statement articulates the department’s vision for a robust network of funded organisations by 2011 and documents a strategy for consolidation that “will address the need for housing providers to achieve viable size and increased scale in operations for the future”. A copy of the direction statement is available at:

<http://www.housing.qld.gov.au/programs/ch/publications/index.htm>

Further information on the size and scale of Queensland’s not-for-profit housing sector is contained in Attachment 2.

¹ Department of Housing database (SAP) as at 3 March 2009.

ATTACHMENT 1

Background information on the Nation Building - Economic Stimulus Plan

A National Partnership Agreement has now been established to maximise the timely and effective delivery of the Australian Government's Nation Building - Economic Stimulus Plan and recognises that all jurisdictions have a mutual interest in the timely delivery of additional economic stimulus to address the current global financial crisis.

The Social Housing Initiative represents a commitment by the Australian, State and Territory Governments to significantly increase the supply of social housing throughout Australia and provide much-needed accommodation to many disadvantaged Australians, particularly those who are homeless or at risk of becoming homeless. It supports existing initiatives that have previously been agreed by the Council of Australian Governments (COAG) in November 2008 to improve social and Indigenous housing and reduce homelessness.

Under the initiative, Queensland will receive approximately \$1.3 billion for social housing, to be directed toward maintenance, upgrade and construction of approximately 4,000 new properties by 2012. This funding includes:

- \$80 million for repairs and maintenance of existing social housing, split equally over two years
- \$138 million for new social housing, bringing forward construction projects already in the development pipeline
- \$1.1 billion for the construction of new social housing properties over the next three years.

The time imperatives established for the Nation Building – Economic Stimulus Plan are very constrained, with a requirement that 75% of all new construction projects will be completed no later than 31 December 2010.

In order to maximise the leveraging of Commonwealth funding that can be achieved in terms of additional social housing supply, the Australian Government is aiming to improve the capacity of the not-for-profit sector to borrow against their assets to enable an expansion in operations. The Australian Government has identified the Social Housing Initiative as an opportunity to accelerate the growth of not-for-profit housing providers to achieve significant size and scale.

Currently there are an estimated 1,700 not-for-profit housing providers now managing some 50,000 affordable housing properties nationally². These range from large, specific-purpose housing companies, through to Indigenous community housing organisations, to small tenant-managed housing cooperatives. At present, there are fewer than ten not-for-profit growth organisations with more than 1,000 properties each under management across Australia, and none of this scale operating in Queensland.³

Future growth organisations are expected to hold sizable portfolios of up to 5,000 or more social housing properties, and some may operate across State and Territory borders. To achieve this, the Commonwealth, in consultation with jurisdictions, is aiming for a significant number of the dwellings that are funded under the Social Housing Initiative to be owned by the not-for-profit sector.

The new National Affordable Housing Agreement includes a commitment by the Australian, State and Territory Governments to a range of reforms, including “enhancing the capacity and growth of

² *Proposal for a National Regulatory Framework for Affordable Housing* Final Report 17 July 2007 by ARTD Consultants - endorsed nationally by Commonwealth, State and Territory Housing Ministers on 14 March 2008 and approved for public release by Ministers on 5 September 2008.

³ *ibid*

the not-for-profit housing sector, supported by a nationally consistent provider and regulatory framework”.

Significant progress has also been made toward the creation of a National Regulatory Framework that identifies mechanisms to achieve a nationally consistent approach to regulating not-for-profit housing providers involved in growth activities by 2011. The draft framework aims to manage risk and support the development of more affordable housing.

The Queensland Government recognises that delivery of social housing through the not-for-profit sector offers intrinsic financial advantages. Organisations that are commercially run, socially focussed and capable of delivering increased efficiencies and economies of scale have the ability to:

- build mixed developments which include social housing, private rental, National Rental Affordability Scheme dwellings, home ownership and other commercial and community service components
- attract Rent Assistance from the Australian Government
- partner with local governments which may provide land and/or development concessions, such as reduced local government fees and increased density
- attract land and other contributions from the philanthropic sector
- leverage government funding by attracting non-government borrowing and other sources of capital
- develop housing more cost-effectively due to GST concessions available to endorsed charities and gift deductible entities, so a greater number of people can be housed for the same level of financial investment, and
- operate more cost-effectively through access to a range of other tax concessions – for example: registration as a Tax Exempt Charity provides exemption from income tax and capital gains tax resulting in 100% of income being available for the delivery of services; registration as a Public Benevolent Institution provides certain exemptions from Fringe Benefits Tax which may assist in the recruitment and retention of skilled staff; and registration as a Deductible Gift Recipient provides the ability to accept tax-deductible gifts from donors and the potential for additional sources of income.

The Queensland Government is committed to developing the not-for-profit sector to establish a small number of large scale providers operating regionally or throughout the State. To achieve robust and sustainable growth, the approach required in Queensland will differ to some jurisdictions that already have a selected group of larger scale providers developing and managing social housing. A key strategy will be directing investment to organisations which demonstrate capacity to substantially increase the size of their social housing business.

ATTACHMENT 2

Size and scale of Queensland's not-for-profit housing sector

There are currently 324 registered not-for-profit social housing providers operating in Queensland. Eighteen of these organisations manage portfolios consisting of more than 100 dwellings. The largest provider, the Brisbane Housing Company manages approximately 700 dwellings and the remaining 17 large providers manage between 100 and 550 dwellings each. The existing total portfolio of registered not-for-profit providers in Queensland consists of 4,962⁴ units of accommodation which are either managed or owned by not funded organisations.⁵

In recent years, a small number of organisations with aspirations to grow their housing portfolio have established themselves as housing companies. To date, the role of these organisations has primarily been in the area of tenancy management, with only a small number of organisations undertaking a property development function. Some churches and local governments have also expressed strong interest in becoming a developer or active partner in growing the number of social housing dwellings in various regions throughout Queensland.

The department's vision and policy objectives for not-for-profit social housing are documented in the direction statement *One Social Housing System: A New Direction for Community and Local Government Managed Housing in the Smart State 2006 – 2011*. The direction statement articulates the department's vision for a robust network of funded organisations by 2011 and documents a strategy for consolidation that "will address the need for housing providers to achieve viable size and increased scale in operations for the future".

Since 2006, Queensland has encouraged consolidation as a means of strengthening organisations, improving service delivery and increasing the ability of the not-for-profit sector to attract new sources of investment to increase housing supply. To date this strategy has resulted in the amalgamation of few organisations with many small organisations continuing to operate throughout the State.

During this same period, more significant sector growth has occurred as a result of:

- new State investment in Community Managed Studio Units which are managed by not-for-profit organisations under head leasing arrangements with the Department of Communities (Housing and Homelessness Services)
- investment in new affordable housing, where the State's investment has been augmented by contributions from local government, private finance and donations.

To date, State Government investment in the Brisbane Housing Company totals \$114 million in the form of cash and land. In 2007, the Minister for Housing announced a funding package totalling \$20 million of State Government assistance for the Gold Coast Housing Company over three years to assist the company to increase its portfolio, broaden service delivery and provide a platform for future growth. Both housing companies have also received significant local government contributions and are well positioned to achieve a substantial scale of operation as both developers and providers of social housing.

⁴ 4,962 includes Long Term Community Housing Program (department owned and non-department owned), Community Managed Studio Units, Affordable Housing

⁵ Department of Housing database (SAP) as at 3 March 2009.

Leveraging through debt

The Australian Government is seeking to improve the capacity of the not-for-profit sector to borrow against their assets in order to maximise the leveraging of Commonwealth funding and add further dwellings to the social housing system.

To date there is little evidence within Queensland of not-for-profit social housing providers utilising properties to which they hold title in order to leverage funds from the private sector, although there is interest in this area. In the past three years only a few organisations have obtained private sector finance.

A number of factors may be contributing to this, including the low income of residents and hence low rent revenues and the reluctance of boards to take on the higher risks involved in significant debt management. The fact that only a minority of organisations have accumulated significant program surpluses may indicate there is only modest capacity to leverage these assets to fund additional housing.

The *Housing Regulation 2003* sets out the preconditions for use of a funded property as security; including requirements for the not-for-profit provider to be a company registered under the Corporations Act; include certain clauses in its constitution; and have accreditation. In addition, organisations are required to comply with the terms of their funding agreements (including any mortgage in favour of the State), and accordingly, the consent of the department should be obtained before an organisation grants an interest or mortgage in any capital funded property to a private finance provider.