

27 October 2022

Department of Communities Tasmania
Office of the Secretary
GPO Box 65
Hobart TAS 7001

Subject: Feedback from Housing Choices Tasmania on the Draft Tasmanian Housing Strategy (Discussion Paper)

Housing Choices Australia (HCA) is one of the largest Community Housing Providers (CHP's) operating in Australia today owning and/or managing over 7,000 dwellings across Victoria, Tasmania, South Australia, Western Australia and New South Wales. Our strategic functions include Construction and Development, Asset and Housing Management, Community Development and the provision of Transitional and Specialist Disability Accommodation (SDA).

Housing Choices Australia has a rigorous governance arrangement under the guidance of a skills-based Board, members of which come from all jurisdictions in which we operate, apart from NSW.

With that as backdrop we have grown our balance sheet, our footprint and our expertise significantly and are currently delivering a range of innovative housing models involving complex financing, regulatory and partnership arrangements.

We are committed to bringing these models into the Tasmanian landscape where possible.

Housing Choices Tasmania (HCT) is a subsidiary of our national HCA Group and is a leading Tier One Registered Housing Provider of Community Housing in Tasmania.

We have been operating in the Tasmanian environment for over twelve years, with over eight years as a large-scale provider following the transfer of portfolio management from Housing Tasmania under the Better Housing *Futures* (BHF) initiative and more recently the Community Housing Growth Program.

With over 2,100 homes currently in our portfolio (both owned by HCT or managed on behalf of the Tasmanian state government) HCT provides secure, sustainable and affordable homes for some of our most financially and socially vulnerable people including but not limited to seniors, people living with a disability, women escaping family violence, families and singles. To do this successfully we ensure that, in addition to the provision of quality property and tenancy management, we place an emphasis on building our communities and on working with a range of partners and stakeholders to support our residents.

Importantly, we have been proactive in working with state and local governments together with our construction partners in the delivery of 272 additional social housing dwellings to date, with a further 263 in our current pipeline. We also expect to be key to the current state government's commitment to 10,000 dwellings by 2032.

As such we present ourselves as a valued partner to Government with an intimate knowledge of the housing landscape, the current and emerging challenges and of potential levers and solutions that can be harnessed under the proposed 20-year Tasmanian Housing Strategy (the Strategy).

Essential to the success of the Strategy will be the newly formed Authority: Homes Tasmania. With this Authority in place, we anticipate a step-change in the way in which housing solutions can be packaged, financed, leveraged and implemented in a manner that retains accountability, quality and value for money but that enhances flexibility, innovation and efficient delivery.

It is within this context that HCT offers the following feedback on the draft discussion paper relating to the Tasmanian Housing Strategy for the next 20 years.

Current and Future Environment

The time is absolutely right to develop a long-term strategy for Tasmania's housing and homelessness system – a system that should facilitate access to affordable housing for all Tasmanians. The Strategy needs to be fit for purpose not just for the present conditions in the housing and homelessness sector but with future growth and external factors in mind. It is also vital that the Strategy is well placed to build on the strengths of current practice and recognises the key partnerships and stakeholders that have been at the frontline of both supply and support delivery.

Despite several initiatives over recent years designed to curtail the housing crisis, housing stress and homelessness are continuing to increase across Tasmania. Homelessness is more common than ever, with over 46 people per day turned away from specialist homelessness shelters and, as at August 2022, there were over 4,400 applications for social housing. This number continues to grow.

In addition to the obvious supply priorities contained within this discussion paper on the Strategy, HCT is particularly concerned that the housing and associated support needs of the people we assist are recognised. Specific cohorts need to be identified in the Strategy to ensure that responses to differing needs are reflected in the underpinning actions and initiatives. Housing Choices Tasmania is pleased to note an increased level of recognition of the housing needs of our First Nations People together with the continued focus on highly vulnerable cohorts.

Safe, secure and affordable housing is fundamental to the social determinants of health; essential for participation in employment, training and education; vital to the safety of women and children escaping family and domestic violence; necessary for those Tasmanians living with a disability; and necessary for older Tasmanians wishing to age in place.

Specific Feedback

To support the success of the Strategy, HCT has identified several areas for inclusion and/or strengthening in the draft discussion paper on the Strategy. These include:

1. Including targets for:
 - Supply of social and affordable housing;
 - Reducing homelessness;
 - Reducing housing stress; and
 - Improving access to housing, assistance and support for vulnerable Tasmanians to obtain and maintain housing.

2. Ensuring that the achievement of target numbers does not come at the expense of quality and sustainability. For example:
 - Ensure that environmental and social sustainability issues together with the need for homes that will stand the test of time are factored in to supply decisions.
 - Design standards for sustainability to include measures that will mitigate increasing household costs (electricity, heating, cooling, water) to ensure homes are affordable and liveable into the future.
 - Explore options to remove barriers to bulk procurement that can reduce energy costs for residents.
3. Including a focus area that relates specifically to options around affordable rental products.

The Strategy refers to “Affordable Private Rental” in the discussion paper (*see Figure 10*). The CHP sector should be considered as a partner for government in delivering both affordable and social outcomes with mixed tenure developments providing good value for money for government and good outcomes for residents living in mixed communities.
4. Strengthening the scope and role for the CHP sector. CHP’s have a significant role in:
 - Advocacy (particularly at a federal level) and should also have a significant role in;
 - Policy development (noting the sector in Tas owns and/or manages over 50% of social housing).
5. Building the capacity of the housing and homelessness sector.
6. Identifying and responding to current and future workforce challenges including those in:
 - Housing and Property management;
 - Support provision; and
 - Construction and associated industries.
7. Recognising that in ensuring the **affordability** of housing options this will need to be balanced by ensuring the **financial viability** of housing providers.
8. Noting the increasingly targeted nature of allocation requirements, the Strategy should consider the need to provide diversity within the social housing sector. The further densification of public and social housing into localised and already marginalised areas is detrimental to the achievement of positive communities and should be considered in the context of supply decisions.
9. Ensuring that the essential nature of housing and support for our most vulnerable Tasmanians is clearly stated. People experiencing a range of complex issues need access to safe, secure, affordable and appropriate homes from which adequate supports can be delivered. The private rental market as it currently operates is failing to deliver in this regard.
10. Delivering additional models of supported accommodation across the state. Increasing levels of complexity arising from untreated mental health and drug and alcohol issues together with cognitive issues impacting on people’s ability to live independently must be acknowledged as requiring a different type of accommodation. This accommodation can still be long-term, provide dignity and a sense of independence but ensures that support is able to be accessed as needed.
11. Supply does not need to be brand new. Lateral thinking and innovation should be harnessed to explore options such as existing shop top/shop front, redeveloped traffic corridors etc. This is where the Strategy will need to work in concert with making changes to current barriers (zoning, planning, etc).

12. HCT notes a current emphasis on Private Rental Incentives. Whilst this can be a useful adjunct when the vacancy rate is high, in a market where vacancy rates are at an all-time low (0.3% to 0.9% across Tasmania) this does little more than to shift demand to a different segment of the market (in the current environment the social housing waitlist). This level of subsidy is quite high per dwelling (approx \$12k per annum in Hobart plus management fees) and does not add to supply. Effectively it is dead money. Consideration should be given as to whether this level of subsidy would be better spent in funding additional long-term supply.
13. Emphasising the capacity to acquire land for the purposes of delivering social and affordable housing. Consideration however must be given to processes that ensure that land that is acquired “to be utilised ‘primarily’ for residential purposes” is not sold commercially at the expense of said delivery.
14. Including the development of portfolio asset management plans that include divestments to help fund reinvestment, improve effectiveness and efficiency and reduce maintenance costs. For example:
 - As assets age, including those under management, there is likely to be value in a divestment program where capital can be recycled into newer outcomes providing improved accommodation for residents and mitigating high long-term maintenance obligations for older assets; and
 - Embedding actions to ensure that we can improve/upgrade/increase efficiency of existing stock will effectively increase the availability of suitable stock that may otherwise be untenable or sold.
15. Continuing the important functions of advocacy, community education, sector-wide consultation and policy development. This needs to include continued advocacy at a federal level in relation to policy settings that impact on both access to housing and affordability (e.g. Immigration Policy, supporting new industry, income support levels etc).
16. Ensuring that all “Related Initiatives” identified within the discussion paper (*see Figure 12*) are considered in drafting the proposed Strategy. To date, real reform and achievements have been limited by the siloing of functions and the inability to influence across agencies.
17. Continuing consumer protections under the *Residential Tenancy Act 1997*.
18. Ensuring there is timely and independent evaluation of the effectiveness of the Strategy and the underpinning actions and initiatives.

Other powers

Understanding that a change to a Housing Authority in itself cannot necessarily resolve all current and/or emerging issues, it is important then that the Strategy identifies and seeks to influence impediments to the efficient delivery of new supply. This will be critical to meeting the supply ambitions for the next 20 years. These challenges relate to:

1. Planning
 - Inclusionary zoning for private developers that requires a social/affordable housing target appears to be something we are not prepared to tackle. This needs to be on the table.
 - We have disconnected planning schemes with no discernment between a social/affordable housing development as public infrastructure vs a commercial development for profit making.

- The planning process is lengthy and expensive and impacts on the ability to deliver good quality housing at an affordable cost. As things currently stand it can take longer to work through the planning process than it does to deliver the construction program.
- The planning process has become too involved in the micromanagement of proposed developments in the first instance rather than the option of approving with conditions attached.
- Within current planning processes across all Councils there is too much capacity for representations in relation to the “type” of residents that may occupy the dwellings rather than focussing purely on the elements of the planning scheme.
- Rates relief for CHP’s needs to be considered to facilitate an increased delivery of social and affordable housing.

2. Taxation

- Stamp Duty and Land Tax relief for CHP’s needs to be considered to facilitate an increased delivery of social and affordable housing.

3. Headworks

- Dealing with authorities such as NBN, TasWater and TasNetworks is cumbersome, time consuming and expensive with resultant blowouts in budgets due to the inability/unwillingness to provide up-front estimates.

Housing Choices Tasmania would like to see a mechanism to provide a more accessible method of dealing with these authorities for the development of social housing.

- Thought needs to be given to the appropriateness and/or targeting of developer incentives in this space. Currently developers who do not deliver affordable housing into the market and are able to sell at a profit receive headworks relief whilst CHP’s who are not for profit and rely on low-income rents as income receive no such relief.
- As the situation currently stands infrastructure costs are not necessarily shared equitably. In some instances, CHP’s have been burdened with the cost of providing infrastructure required to service a whole of area site purely as a result of being the last “developer” on that site and triggering a tipping point for additional infrastructure (e.g. detention tanks etc).

4. Financing

- Procuring debt can be complex and time consuming and whilst this is not able to be directly influenced there is a need for advocacy to federal agencies to ensure the procurement of debt is as efficient of possible to ensure the desired supply gains can be achieved over the next 10 years.
- The main limits to debt capacity that can support new outcomes are: (1) interest costs, (2) operating surplus levels, and (3) assets available to provide security. Where assets owned by the State and managed by the CHP are available for debt security then debt capacity can be improved. Tripartite arrangements can be used to protect state interests.
- If asset capacity is available, establishing the right debt size is determined by expectations of interest rates and operating surpluses to cover these finance costs. These considerations inform the level of capital grant or operating subsidy required for a sustainable model.

- An agreed standard generic model between the State and the CHP sector would allow efficiency in assessing particular project models. This model could set expectations of debt levels, asset availability for security, interest costs, surpluses and funding levels. It should also clearly articulate how risks relating to unknowns can be priced in. This would allow specific projects under consideration to be efficiently assessed and reasons for deviation from the standard model to be clearly articulated. These could include differences in land costs in distinct locations, tenant mix etc.

Conclusion

Critically any new Strategy designed to deliver an increase in social and affordable housing supply and therefore have an impact on the housing options for all Tasmanians needs to ensure that:

1. It is agile enough to respond to events outside the control of the State.
2. It focusses on solutions that do not further drive demand.
3. It has the flexibility to respond to proposals that are brought forward at a time suitable to a Proponent rather than responding in a reactive way to a defined process. Clearly issues of Probity, Quality, Transparency, financial Viability and Value for Money will all still need to be assessed.

In closing HCT thanks the Minister and state government for the opportunity to provide feedback and would welcome further consultation on this major step in the development of a significant and long-term Strategy for the provision of affordable housing options for all Tasmanians over the next 20 years.

For further information, please contact:



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