



29 July 2019

Infrastructure SA  
Level 15, Wakefield House  
30 Wakefield Street  
Adelaide SA 5000

Dear Infrastructure SA,

Thank you for the opportunity to provide comment on the 20-Year State Infrastructure Strategy Discussion Paper (the Discussion Paper).

Community housing in South Australia provides safe, secure and affordable housing for people on low to medium incomes. The community housing industry manages approximately 13,000 properties with a portfolio value of around \$2.5 billion.

The Community Housing Council of South Australia (CHCSA) is the industry peak body that represents community housing providers and other not-for-profit housing providers in South Australia. As a member driven community peak, the CHCSA's purpose is to support the further growth of a strong, vibrant and sustainable South Australian community housing industry.

Following release of the Discussion Paper, the CHCSA Board has endorsed this submission to Infrastructure SA. This submission addresses the questions pertinent to the South Australian community housing sector contained within the Discussion Paper, attached at Annexure 1.

Thank you again for the opportunity to provide comment on this Discussion Paper and we look forward to further engagement throughout the strategy development process.

Yours sincerely

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CHCSA Chair

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THE PEAK INDUSTRY BODY FOR COMMUNITY HOUSING PROVIDERS IN SOUTH AUSTRALIA

## **Annexure 1 – Community Housing Council of South Australia Response to 20-Year State Infrastructure Strategy Discussion Paper**

### **Key Messages**

1. **Social and affordable housing must be seen as critical infrastructure to fix a broken system in South Australia.** Historically social and affordable housing has been seen as a social policy response to welfare pressures. This approach has delivered the broken social and affordable housing system South Australia and the nation has today.
2. **Social and affordable housing must sit within progressive economic and infrastructure investment strategies, building on the existing levers available to community housing.** This will enable critical contributions to social, environmental and economic progress both for individuals and for the State (and indeed the nation).
3. **Community housing providers with enhanced levers have the capacity to deliver further growth to meet the shortage of affordable dwellings in South Australia.** Community housing providers are the only providers to have delivered growth in social and affordable rental dwellings in the past decade.
4. **The State Infrastructure Strategy is an opportunity for the State to engage constructively and proactively with the Commonwealth on a comprehensive solution specific to South Australia.** This solution is crucial to meet the housing needs of low and moderate income earners who are faced with a significant lack of affordable housing supply.

### **Affordable housing as infrastructure**

Affordable housing, both liveability and new supply, has historically been seen as a social policy response to welfare pressures. This is a limited consideration for what could become a highly progressive, infrastructure asset class. The places people live are fundamental to social cohesion and economic progress. It influences behaviours, both good and bad. It defines individual identity, standards of health, quality of education and access to opportunities. It nurtures social connections and confidence to explore aspirational goals.

Affordable housing contributes to social, environmental and economic progress, but in order to do so, it needs to be considered as part of State infrastructure. It should sit within progressive economic and infrastructure investment strategies.

The *South Australian Housing Trust Act 1995* includes “the increase of affordable housing supply” within its functions. The South Australian Housing Trust (SAHT) was a progressive contributor in its day. Today it presides over an unviable operating model with little access to capital, other than sales of public assets. This problem is not unique to South Australia. All jurisdictions have deep viability issues that are largely hidden by unreported back-log maintenance and asset over-valuations that have not considered the significantly discounted variants aligned to their social purpose.

Well planned and incentivised affordable supply should be part of economic drivers to stimulate growth in Gross State Product whilst delivering positive social returns, without being consumed by the far broader challenges facing the SAHT.

New affordable housing supply properly planned and integrated as part of the State’s infrastructure strategy, can have a positive influence on jobs creation, particularly in economic downturns because investment in this asset class is not driven by market fluctuations. It is a very stable market.

The immediate benefit of applying infrastructure status to an affordable housing asset class is the relaxation of restrictive lending norms, lower cost of funds, access to land, planning efficiencies and the capacity to develop critical mass to drive economic and social solutions.

### **Housing need in South Australia**

By 2036, an additional 61,900 social and affordable homes need to be constructed in South Australia to meet current and projected need for households living in housing stress in the private rental market<sup>1</sup>.

More people are being locked out of home ownership and needing private rental as a substitute<sup>2</sup>. The percentage of households that own their homes has reduced by almost a quarter since 1996.

SA has the third worst affordability ratio in Australia due to lower incomes than eastern states relative to house prices. Only 4.5% of homes are affordable to buy for the lowest 40% of income earners; and only 21% are affordable to buy for the lowest 60% of income earners<sup>3</sup>.

Private rental has grown four times as fast as the population due to insufficient supply of affordable housing, while low income rental stress has grown rapidly and currently affects 46,584 households, equating to 36.5% of low income renters<sup>4</sup>.

### *What infrastructure investment would make the biggest impact to unlocking economic growth in South Australia in the next 0-5, 5-10 and 10-20 years?*

It is encouraging to see that the 20-Year State Infrastructure Strategy Discussion Paper (the Discussion Paper) recognises the demographic shift towards an ageing population in this State. Housing for ageing South Australians is an important form of infrastructure and needs to be reflected as a future infrastructure requirement for South Australia. Community housing providers (CHPs) are well placed to deliver the future housing needs of this cohort and one example is the Spence on Light project currently underway.

Spence on Light is an innovative social and affordable housing partnership between the South Australian Housing Authority (SAHA), Housing Choices South Australia, ACH Group and Hindmarsh. The partnership is set to deliver 75 new apartments located in the Adelaide CBD in 2020. The apartment building is designed to accommodate people on low incomes, people who are ageing, older single women and older people living with a disability. It can specifically accommodate the physical and other needs of these groups; is close to appropriate infrastructure and within communities that can support their long-term physical and mental wellbeing. This partnership is set to deliver both social and economic benefits, while meeting an infrastructure need.

In developing a Strategic Intent framework to guide development of South Australia's Housing, Homelessness and Support Strategy for the next 10 years, the South Australian Housing and Homelessness Taskforce highlighted that "housing is essential for economic development. Infrastructure investment, including housing related industries, employ large numbers of South Australians, which continue to be important for the economic health and sustainable growth of our

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<sup>1</sup> Troy L., van den Nouwelant R. & Randolph B. (2019) *Estimating need and costs of social and affordable housing delivery*, City Futures Research Centre

<sup>2</sup> Towards a Housing, Homelessness and Support Strategy – Strategic Intent Taskforce Report to the Minister for Human Services June 2019

<sup>3</sup> Towards a Housing, Homelessness and Support Strategy – Strategic Intent Taskforce Report to the Minister for Human Services June 2019

<sup>4</sup> Leishman C. & Baker E. (2019) *Audit of South Australia's current housing assets and mapping of future demand*

State. Appropriate and affordable housing is essential for industry attraction, retaining key and emerging workers and supporting future population growth.”<sup>5</sup>

This is supported by Australian Housing and Urban Research Institute (AHURI) research that identified “social housing shares similarities with many other forms of social infrastructure servicing societal (as well as economic) needs. Schools, courts, prisons and hospitals are also long-term asset-based services enhancing social and economic wellbeing which are allocated on a needs basis, rather than for commercial return. Investment in social infrastructure enables essential services to be delivered, schools enable education, hospitals enable healthcare and social housing enables secure, affordable shelter, ideally to a decent standard, in the right location and when needed.”<sup>6</sup>

In New South Wales, modelling<sup>7</sup> has been undertaken to identify how housing outcomes in the Sydney metropolitan region impact economic growth and productivity. Effects were modelled for a program of 12,500 affordable homes per annum over a 10 year period, with an annual grant subsidy of \$8500. The model identified significant direct impacts of \$2.26bn in travel-time savings, of which \$1.129bn is used for travel-to-work journeys and increases the supply of labour. Additional to travel-time savings, \$17.57bn in human capital uplift would be realised, in terms of added household incomes associated with better job choices as a result of investing in affordable housing in more accessible locations.

Furthermore, housing as economic infrastructure is a key objective of the South Australia’s Housing, Homelessness and Support Strategy Strategic Intent<sup>8</sup> and the 20-Year State Infrastructure Strategy should take account of housing as a form of economic infrastructure and recognise the economic and societal benefits it brings to South Australia.

### *How would Adelaide’s infrastructure need to change if its population hit two million?*

There is a mismatch between the demand and supply of housing in South Australia. AHURI research<sup>9</sup> has identified that only 21% of homes are affordable to buy for the lowest 60% of income earners. Only 4.5% of homes are affordable to buy for the lowest 40% of income earners. Renters are the fastest growing tenure, private rental has grown four times faster than the population and young people are staying at home longer. Low income rental stress has grown rapidly and currently affects 46,584 households, equating to 36.5% of low income renters.

There is insufficient affordable and appropriate housing available to rent in South Australia, demonstrated by the Anglicare Rental Affordability Snapshot. On 23 March 2019, the degree of access to the housing rental market in the Adelaide area for 14 household types was assessed against criteria for affordability and appropriateness. All disaggregated household types reliant on income support payment had access to less than 3.4% of the rental market, with seven household types, which include single persons with and without children on payments such as Newstart Allowance, Age Pension and Disability Support Pension, having access to 0% of the rental market at the time of the snapshot<sup>10</sup>.

Unmet demand is deemed to comprise low income renters (bottom 40% of income earners) who experience rental stress (pay more than 30% of income for rent); plus those who wish to, but cannot, access or sustain a home in the market. The current level of unmet demand is approximately 56,000

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<sup>5</sup> Towards a Housing, Homelessness and Support Strategy – Strategic Intent Taskforce Report to the Minister for Human Services June 2019

<sup>6</sup> Lawson, J., Pawson, H., Troy, L., van den Nouwelant, R. and Hamilton, C. (2018) *Social housing as infrastructure: an investment pathway*, AHURI Final Report 306

<sup>7</sup> Maclennan D. et al (2019) *Strengthening Economic Cases for Housing Policies*, City Futures Research Centre

<sup>8</sup> South Australia’s Housing, Homelessness and Support Strategy Strategic Intent 2019

<sup>9</sup> Leishman C. & Baker E. (2019) *Audit of South Australia’s current housing assets and mapping of future demand*

<sup>10</sup> 2019 Anglicare Rental Affordability Snapshot: Adelaide Metropolitan Region

households and this level of unmet demand is expected to grow between 6% and 7.5% (approximately 4,000 additional households) over the next five years<sup>11</sup>. It is estimated that by 2036, an additional 61,900 social and affordable homes will be required in South Australia to meet current and projected need for households living in housing stress in the private rental market<sup>12</sup>.

Preparing for future population growth needs to take account of future housing needs and this should form a vital component in strategic infrastructure plans. New affordable housing supply properly planned and integrated as part of the State's infrastructure strategy, can have a positive influence on jobs creation. Further, the South Australian Housing and Homelessness Taskforce highlighted that "housing needs recognition as core infrastructure and as such needs funding, support and coordination to match to ensure the State can grow development for the right people at the right price in the right places".<sup>13</sup>

### *How should infrastructure be planned in increasingly urban environments with ageing populations?*

The Discussion Paper recognises suitable housing for ageing South Australians is an important consideration. The need for housing options to be adaptable for future accessibility and independent living requirements is also addressed, with the community expectation of people remaining in their homes as long as they are able.

The Spence on Light partnership highlighted earlier in this submission demonstrates the community housing sector's capacity and commitment towards innovative solutions in addressing this challenge. Similarly, SAHA has a project underway to deliver new apartments that enable older residents to age in place in their own home. By full completion in 2020, a total of 59 apartments in three separate buildings located in South Plympton, Prospect and Blair Athol will be delivered. The properties include thoughtful design features tailored for older tenants, allowing them to better manage mobility limitations, while remain connected to their community.

Recognising the challenge of South Australia becoming increasingly urbanised with more ageing residents, it is important to have housing infrastructure in place to support this environment.

### *What factors should be considered when making inevitable trade-offs about investment in public infrastructure in the context of funding constraints?*

It is pleasing that the Discussion Paper recognises affordable housing as a consideration for both master-planned urban development sites and as part of land re-use opportunities alongside transport projects. Community housing providers (CHPs) are currently engaged in the Renewing our Streets and Suburbs (ROSAS) initiative, as part of the sector's commitment towards urban renewal and improving communities. In September 2017 the management of 4000 public housing properties at sites across metropolitan Adelaide and regional South Australia were transferred to five CHPs.

CHPs involved in the ROSAS initiative are expected to undertake redevelopment and upgrade activities within the transferred properties and neighbourhoods. It is intended that this redevelopment activity will improve the quality and diversity of housing opportunities and open pathways towards home ownership. There is a further expectation that tenants will benefit from improved access to maintenance and housing services, resulting from the transfer.

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<sup>11</sup> Leishman C. & Baker E. (2019) *Audit of South Australia's current housing assets and mapping of future demand*

<sup>12</sup> Troy L., van den Nouwelant R. & Randolph B. (2019) *Estimating need and costs of social and affordable housing delivery*, City Futures Research Centre

<sup>13</sup> Towards a Housing, Homelessness and Support Strategy – Strategic Intent Taskforce Report to the Minister for Human Services June 2019

These ROSAs projects will ensure no social housing dwellings are lost to the State and more affordable housing is delivered.

CHPs are also delivering affordable housing as part of the Community Housing Asset Regeneration Program (CHARP). CHARP developments maintain and renew social housing dwelling numbers while delivering growth in affordable housing.

These regeneration projects are delivering dwellings that meet tenant needs. Dwellings include those designed for people living with disabilities, older people and larger families. This is infrastructure that meets current demographic need. CHPs are agile and adopt a commercial approach to redevelop to meet current need.

The CHCSA agrees that achieving desired affordable housing outcomes requires effective co-ordination and integration between involved parties, matched by clear and effective governance arrangements.

### *How can we best plan and accommodate the infrastructure needed to create vibrant and economically productive precincts?*

Community housing creates a sense of place and facilitates economic activity within the South Australian community. The Discussion Paper highlights the aim to create more walkable, mixed-use medium density communities in South Australia and recognises this requires an increased emphasis on urban infill for new housing. CHPs can help to deliver this vision and are experienced in delivering place making initiatives that also stimulate economic activity.

In 2015 two CHPs assumed management of 1,100 public housing dwellings across two sites in metropolitan Adelaide. The Better Places, Stronger Communities (BPSC) program was designed to improve the property condition of transferred properties and improve tenant outcomes; through improved tenant engagement; place making initiatives for the benefit of tenants and the wider community; and the provision of property-related 'affordable living initiatives' to help reduce tenants' essential service costs (i.e. power, water).

The CHPs involved successfully delivered the desired property and tenant outcomes and "tenants were supportive of the CHPs and cited improvements in responsiveness, accessibility, repairs and maintenance, community development activities, energy-saving measures in their homes, and external environmental/streetscape upgrades."<sup>14</sup>

South Australia's 15% inclusionary zoning is an example of a stand-alone policy that was severely limited by the lack of complimentary levers to deliver real impacts to improved liveability. Incentives like targeted rebates; levy waivers; delayed land payments; lower cost finance; planning expediency; and preservation of future benefits were missing. 15% inclusionary zones may assist in the creation of product diversity in more affluent communities, however the buyers' ability to immediately profit from the pricing discount, without preserving the gain for future benefit, is restricting the intended benefit. It is a well-intended but quite limited policy in the absence of a comprehensive strategy.

South Australia's Housing, Homelessness and Support Strategy Strategic Intent framework<sup>15</sup> identifies linking infrastructure, planning and transport investment with affordable housing as an area for exploration and this should be reflected accordingly in the 20-Year State Infrastructure Strategy.

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<sup>14</sup> Blunden, H., Liu, E. & valentine, k. (2017) *Evaluation of the Better Places Stronger Communities Project: Final report* (SPRC Report 19/17)

<sup>15</sup> South Australia's Housing, Homelessness and Support Strategy Strategic Intent 2019

## *What opportunities are there to better leverage private investment to drive public infrastructure development?*

The solution to new supply of affordable housing at scale needs comprehensive changes to: taxation norms; planning impediments and levies; access to land; lower cost finance and less restrictive lending norms. It requires large scale transactions to meet critical mass for institutional investors, and a capital or yield gap solution to meet the needs of lower income households who require deeper subsidy. SAHA alone cannot deliver the whole solution.

Affordable housing via the establishment of Build to Rent (BTR) at scale needs to be part of the State's Infrastructure Strategy because it requires a broader mandate that can expand across all these divides, as well as effective partnering with the Commonwealth on a comprehensive solution. Historically BTR has formed part of the business model for CHPs, to cater for tenants on lower incomes i.e. social and affordable housing.

BTR constructs housing specific to the rental market using institutional equity at scale, rather than rely on individuals at micro scale. Private rental is fragmented with over 95% of housing in the hands of mum and dad investors. Renters are not afforded certainty, thus denied the ability to establish roots in the community. This is a problem when homeownership rates are in decline and stable long term rental options are limited.

Investors who seek wealth creation through residential assets tend to make decisions that are not conducive to stability and security for those living in their properties. Stable, long term rentals can change the psyche of renters by facilitating genuine connection to place – a fundamental aspect of stability and prosperity in communities. Strategies that aim to establish an institutional investor asset class at scale should be considered part of productive infrastructure.

CHPs with demonstrable long term alignment to affordable housing objectives are the most suitable vehicle for harnessing the establishment of a BTR asset class to meet new supply targets. Existing benefits available to CHPs that can be leveraged for this purpose include:

Tax and other rebates:

- Land tax; Stamp Duty; Payroll tax; GST, FBT and rates waivers are already available for development and property management expenses

Government partnerships:

- Government security over public land via National Regulation, coupled with effective contracts, can easily free up equity tied up in government land holdings;
- CHPs operate quite successfully under a restrictive trade model for specific purpose;
- CHPs can be wound up and have assets transferred to like organisations via the legislated powers of the regulator, which provides further government and investor assurance for large scale operators;

Yield gap and finance:

- Managed Investment Trusts (MITs) or like vehicles can gear incentives for affordable housing investors, and explore yield solutions per US and UK models. BTR harnessed for affordable housing supply at scale must have a capital or yield gap solution driven by partnership with the Commonwealth government.
- National Housing and Investment Finance Corporation (NHFIC) provides low cost finance with long-term fixed borrowings backed by Federal Government guarantees, along with National

Housing Infrastructure Facility (NHIF) infrastructure investment in affordable housing. Its bonds are rated as social impact which attracts socially responsible investors at scale.

**Planning:**

- Fast track planning process with waivers on levies and compliance costs via alternatives such as precinct authorities;
- BTR requires large scale developments whereby master planning can design from whole of place perspectives including transport, new technologies, environment and people within infrastructure planning, including civics.

A comprehensive affordable housing strategy that brings together all these components can have a real impact on sustained growth through integrated planning for new supply at scale, which can sustainably stimulate economic activity whilst delivering social returns in communities and prosperity to the State.

**Summary**

Social and affordable housing needs to be seen as critical infrastructure and needs to be part of the 20-Year State Infrastructure Strategy, building on the existing levers available to community housing.

Build to Rent (BTR) is the community housing business model and CHPs have the capacity to target BTR to lower income groups which the private sector cannot provide for.

The 20-Year State Infrastructure Strategy provides the platform to engage the Commonwealth in SA specific solutions and CHPs can be part of this process.