

Sustaining Diversity in Inner City Communities Through Innovative Partnerships

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The Social Housing Innovations Project was established by the Victorian Office of Housing to maximise State funding of \$94.5 million to encourage innovative joint venture housing solutions, complementary to public housing provision. Over the past four years this initiative has produced over 800 properties in partnership with local government and the not-for-profit sector.

The Social Housing Innovations Project challenged local communities and organisations to undertake joint ventures that leverage additional investment in social housing, while addressing inclusiveness, community and social cohesion.

A principal criterion of this approach is that partnering agencies bring an equity contribution to the project. On average this equity contribution has been 30 per cent of total project costs, generally in the form of cash, land or borrowings. Importantly projects are required to be financially sustainable through their rental revenue stream (including Commonwealth Rental Assistance), without recourse to ongoing rental subsidies by government.

These partnerships have enabled different parts of government and the community to produce innovative housing solutions for vulnerable people within the community.

This paper will explore one of these partnerships between the Office of Housing, the Port Phillip City Council and Port Phillip Housing Association (PPHA) under the Port Phillip Housing Program.

In the Port Phillip local government area, which encompasses the St Kilda, South Melbourne and Port Melbourne former local government areas, gentrification has meant that the affordable housing market has been squeezed. The loss of low-income rental accommodation is causing both dislocation and significant housing stress.

This presentation will describe the above partnership, the housing outcomes and the ways in which a local government in partnership with a housing association can significantly contribute to the development of affordable rental housing.

This presentation will also touch on the current work to restructure the Port Phillip Housing Program to maintain its sustainability into the future within a regulated framework.

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1. Challenges of Maintaining Social Diversity in Inner Melbourne

Gentrification is increasing the obstacles to providing viable community housing in inner Melbourne municipalities such as Port Phillip. In response, our community housing partnership is reforming to develop affordable housing in a competitive housing market.

Challenges comprise:

1.1 *Land and construction*

- Scarce available vacant or underutilized land
- Competition for available land by private developers
- Increased land values now averaging \$1,400/m² and up to \$2000/m²
- High land values decrease the rate of return for development proposals
- Relatively high allowable development densities result in high construction costs for multi-level and/or multi-unit developments.

1.2 *Community opposition*

- Growing Not In My Back Yard (NIMBY) reactions to social housing by immediately affected local residents causing pressure on councilors, project delays and rising costs
- NIMBY is a major threat to new social housing in inner Melbourne

1.3 *Capital funding*

- Limited grant sizes make it harder to fully grant fund larger projects. For example, 40 plus units
- Grant funding is not always able to be opportunity driven
- Housing need is not defined by municipal boundaries, necessitating regional responses
- Housing need grows faster than providing new units, requiring new ways to grow community housing faster
- Projects require long-term commitment due to lead times of 2-3 plus years
- Housing programs require long-term policy commitment of 5 plus years for specific projects, 10 years for programmatic responses
- Uncertainties regarding government (state and local) policy from election to election

2. Social Housing Innovations Project

This presentation will also focus on a Victorian Government housing commitment implemented over the past three years, the Social Housing Innovations Project, which has built upon and strengthened local government involvement in communities, such as Port Phillip, that are experiencing changing social demographics, and in particular a loss in affordable housing stock.

The Social Housing Innovations Project (SHIP) was established by the Victorian Office of Housing in 2001 to partner with local government, community based housing agencies and other groups to develop joint venture housing solutions, specific to local needs.

2.1 *Strategic Drivers*

- Strengthen existing partnerships between government and non-government (community based not-for-profit) housing providers
- Establish new strategic alliances (For example, private sector housing industry, local government, private financiers)
- Increase the quantum and range of housing sector activity outside the public housing system
- Build improved sector capacity
- Attract new investment in delivery of affordable housing, through cash, borrowings and land contributions

2.2 *Port Phillip Housing Program*

Under SHIP, the City of Port Phillip and its partner agency, Port Phillip Housing Association (PPHA), has undertaken four new joint venture projects (88 units), aimed at maintaining the stock of affordable singles accommodation, valued at \$13 million. This includes \$3.3 million of contributions from PPHA as a developer in its own right.

This is part of a total portfolio of stock owned by Port Phillip and the PPHA of around \$84 million.

These joint venture projects and the broader portfolio of stock built up over the past, in partnership with state and local government assets, have generally met a number of key requirements.

2.3 *Key Joint Venture Requirements*

- Financially sustainable joint venture projects with no ongoing government subsidy
- Attraction of joint venture contributions from state, local government and PPHA
- Enhance the sustainability and capacity of the community housing sector
- Provide affordable rental outcomes outside of the public housing system
- Access to Commonwealth Rental Assistance
- Provide housing with well-developed links to support services
- Stimulate the construction of new housing, creating a significant boost to direct and indirect local employment
- Capitalising on providers having public beneficial institution tax status to reduce construction costs, land tax etc

3. **Port Phillip Housing Program**

3.1 *Background*

- Established by the City of St Kilda in 1985 in response to increasing rents, loss of private rooming houses and subdivision of blocks of rental flats
- Established the St Kilda Housing Association, now Port Phillip Housing Association (PPHA) in 1986 to provide property and tenancy management
- Program continued by the new City of Port Phillip after local government amalgamation in 1994-1996

- Program introduced partnerships and joint ventures with private developers in 1996
- PPHA able to retain net operating surpluses and also became a direct provider in 1998 (after 13 years)
- Port Phillip Housing Program has grown to become the largest local government housing program in Australia

3.2 Objectives

- Values underpinning the Program: support for social diversity, social inclusion and social equity
- Housing aimed to be affordable, suitable and accessible to long-term, low-income Port Phillip residents
- Housing is achieved through acquiring property and developing community housing in Port Phillip
- Program aims to augment the parallel role of public housing

3.3 Achievements

Over 20 years, the partnership provided:

Housing units	389
Projects	17
Persons housed (any one time)	460
Persons assisted over 20 years (estimated)	2,133
Average output per year	20 units
Cost of housing provided (land, fees, construction)	\$43 million
Funding sources:	
▪ City of Port Phillip	38%
▪ State Government	56%
▪ Commonwealth Gov't	6%
Market value of housing (2004)	\$84 million
Target groups housed:	
▪ Older persons	36%
▪ Families	19%
▪ Rooming house singles	33%
▪ Singles (self-contained units)	5%
▪ Dedicated disabled persons units	5%
▪ Youth and students	2%

4. Strategic Partnerships – Housing Associations

This brings us to one of the key outcomes and challenges of this successful partnership to date. It is clear that various grant schemes, one off funding rounds and more recently the successful SHIP initiative has enabled key community based agencies to develop to a point where many are ready for, and have taken, the next step forward.

The challenge for Government is to support further capacity building within the non-government sector to enable it to respond to new arrangements.

The Victorian Government's Housing Association initiative aims to create an alternative landlord in the private market, one with an interest in providing affordable rental.

The Port Phillip Housing Association has recently applied for and achieved registration as a Housing Association by the Registrar of Housing Agencies under state legislation.

Housing Associations will be supported initially with State Government funding and will be required to obtain leverage of around 30% - financial and business expertise – to sustain themselves and expand. They will provide added diversity in social housing provision and will harness local expertise from the community housing sector.

Five partner agencies have now been registered as Housing Associations in Victoria as future suppliers of affordable housing. Underpinning this initiative is the Victorian Government's Strategy for Growth in Housing for Low Income Victorians.

Housing Associations will have a charter to be:

- Providers of a comprehensive range of housing services
 - Partners with Government
 - Charter to plan, develop, fund and deliver housing
- Independent to develop partnerships with private developers, churches and other interested parties
 - Client focused
 - Responsive, high quality services
 - Commitment to tenant involvement
 - Responsive to local environment
 - Strong linkages with other housing and support services
 - Relationship with local government
 - Commitment to continuous quality improvement
 - Registered and regulated
 - Complementary to the public housing system

The Strategy is not a hand-over of government responsibility as some have argued but a beginning through which government hopes to work in partnership – with all the benefits and risks true partnerships entail – to build our capacity as a community to provide more housing opportunities to low income people.

5. Port Phillip Housing Program Restructure

In 2004, as part their joint application to become a Housing Association, the City of Port Phillip and PPHA submitted to the Office of Housing a package of reforms to secure ongoing joint venture funding, sustain the Program into the future, protect the Program legacy in a gentrifying community, and enhance community housing growth.

Key features were:

- Establishment of a Port Phillip Housing Trust to own, develop and manage community housing under the Port Phillip Housing Program
- Reconstitute PPHA as a company limited by guarantee and its appointment as trustee of the Port Phillip Housing Trust

- Council forward commitment of cash contributions of \$400,000 per year for ten years until 2015 or \$4 million in total plus a \$2 million property asset
- Transfer of ownership of all 17 projects worth \$84 million to the Trust
- Ability to expand the provider role of the new company to the inner south metro region separate from the company's role as Trustee of the Port Phillip Housing Trust
- Ability to establish separate housing trusts to attract partnership/joint venture arrangements with other developers, municipalities, community organisations and philanthropic funds
- Elimination of dependence on grant funding by diversifying funding sources that include leveraging bank finance
- Enhancing community housing growth through a strategic partnership with the Office of Housing involving business development

6. Outcomes and Lessons of the Partnership Reforms

The reforms will:

- Provide enhanced capacity by pooling resources to a select provider in a gentrified, competitive housing market
- Combine strengths of state, local government and housing association roles and a merging of objectives
- Achieve a programmatic response for new projects that will aim over time to be opportunity driven
- The structure for a Trust and other trusts over time will enable external partnership contributions, including proposed affordable housing inclusionary zoning if state legislation allows
- Address new project conflicts in a gentrified community by separating council roles as developer from planning authority
- Continue role of measured risk taking (leveraging, increased project size, partner diversification) within an improved regulatory framework, for example, over five years say 200 plus units compared with 52 units over last five years under SHIP
- Support State policy under *Melbourne 2030* that aims to achieve urban consolidation in activity centers, including affordable and social housing, by providing a suitable vehicle for affordable/social housing growth
- Target group extended to 'key workers' to broaden housing assistance to other groups needing assistance
- Regional provision will address the reality that housing need is not related to municipal boundaries.

7. Conclusion

The reforms and restructure will dovetail state, council and PPHA policy objectives, enhance growth capacity and address some of the impediments of gentrification in Port Phillip and the inner south metro region.