Federal States and Public Housing Transformation

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Affordable Housing Industry Capacity Study

National Housing Conference
Perth 27-30 October 2015
Australian public housing

Public Housing Challenges

• Lack of funds
• Narrowing revenue base
• Rising operating costs
• Backlog in maintenance
• Limited ability to expand
• Varying strategies
• Dominant player locally but politically weak nationally

Recommended strategies to date

• Recognition, costing & funding of community service obligation
• Cost competitive assessment of maintenance works required
• Special purpose grants tied to management, maintenance and (re)development
• Feasible level of private finance determined & facilitated and supported by government
• Substantial equity injection or unencumbered transfer of dwellings to NPOs
• Broadening of tenant income profile
• And so forth...
It is changing - but where is it going?

Well funded, professionally managed, strong vision, productive, well connected, community ally

Overtaken by private provider system, fragmented short term funding, no prescribed business model, weak regulation, politically contested

Public housing

Part of a multi-provider system, competitive funding, prescribed business model, specialist regulation, politically influential

Underfunded, poorly managed, no vision, isolated, silo, deteriorating, sales demolition, politically stigmatised
Industry objective: capacity to deliver

1. **Resource capacity** fairer and appropriate budget transfers, long term funding agreements, reasonable borrowing limits, positive lending environment

2. **Organisational capacity** Commitment to a clear vision, well defined roles, effective leadership, client driven, professional.

3. **Programmatic capacity** ability to plan long term and steer strategic actions to achieve desired housing outcomes

4. **Networking capacity** integrating not isolating, effective inter-governmental relationships, working with partner providers, community ally not an island

5. **Political capacity** framing of the problem, linking more influential agendas, forming constructive alliances, sophisticated relations with private sector, using the media wisely (Glickman and Servon, 1998, Lawson et al, forthcoming)
Federal states are dynamic

But where does social housing fit? Policy, funding, service delivery and regulation..
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<tr>
<th>United States</th>
<th>Germany</th>
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<td>- 4000 PHAs (43%) and NPO (57%)</td>
<td>- Private entities, including publicly owned 0.9 million, 5%</td>
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<td>- 1.2 million PHA units 1%, 2.9 million NPO AH 2.5%</td>
<td>- Subsidy defines eligibility and rent regime</td>
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<td>- PH RGI, LIHTC units BMR</td>
<td>- Devolution and expiring federal subsidies eroding stock</td>
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<td>- PH Very low income households</td>
<td>- Compliance bureaucratically enforced, de-jure and de-facto, post privatisation?</td>
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<td>- HUD operating subsidies, prescriptive funding</td>
<td>- LI tenants eligible for modest HA linked to social benefits</td>
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<td>- Extensive mixed income redevelopment, PH dem. decline</td>
<td>- New affordable housing less accessible ‘Munich Model’</td>
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<td>- Capped rationed Housing Vouchers only PR → PH transfers</td>
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<td>- Fast growing LIHTC funded NPO sector provides ‘affordable’ housing &amp; eligible for HV</td>
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<th>Canada</th>
<th>Austria</th>
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<td>- Public Housing Corporations, 0.5 million 2%, many small NPOs and co-operatives .8 million 3%,</td>
<td>- Municipal housing companies (7%) and Limited Profit Housing Associations (16%)</td>
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<td>- Devolved to Provinces and territories</td>
<td>- 0.9 million stable supply of affordable dwellings, slight decline municipal ‘social’ dwellings</td>
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<td>- Limited transfers, slow evolution third sector</td>
<td>- Cost capped cost rents conditional subsidy regime</td>
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<td>- Expiring federal operating subsidies</td>
<td>- Municipal allocation rights over subsidised rental dwellings</td>
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<td>- Variety of rent models, primarily in PH RGI</td>
<td>- Regional and local allowances, loans to support equity contributions (shared ownership)</td>
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<td>- Patchy system of rent rebates and housing allowances.</td>
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- Germany
- Austria
- Canada
- United States
Drivers of transformation

Push
- Decline or untying of ‘big’ national supply programs
- Ideologies of small government, subsidiarity, localism, importance of balanced budgets
- Prescriptive but unsustainable PH requirements, no potential for investment
- Rising investment required to address deteriorating stock
- Loosening of regional obligation, excessive flexibility in use of transferred funds

Pull
- Potential use of remaining subsidies, built up equity, marketability of assets
- Political preference for third sector solution
- Potential availability of investment

Consolidators
- Coherent, comprehensive and sustainable business models (operating, capital, rent regime, equity and surplus use, re-investment)
- Reinforced by legislation, programs, strategic professional development, regulatory regime, social contracts, monitoring and enforcement
- Compelling leadership from management
- Mission driven organisation, solution orientated organisational culture, relevant skills development and acquisition
- Partnering with skilled and experienced specialist services
- Effective regulation purposeful and constructive
Resource capacity

*Fairer and appropriate budget transfers, long term funding agreements, reasonable borrowing limits, positive lending environment*

- Evaluation of the capital and operating resources required to deliver social housing within an agreed rent and allocation regime (Austria, legislated US, though not fully adhered to).
- Medium to long term resource sharing agreements covering operating and capital costs (Canada, though poorly).
- Defines ability of providers to access subsidies, re-circulation of loans, build up equity and surpluses, sustains production and used to harness private investment (Austria well developed, US new flexibility for PHAs).
- Facilitates a competitive long term lending market to attract lowest cost longest term private investment (Austria LP and HCCB, US LIHTCs).
Organisational capacity

*Commitment to a clear vision, well defined roles, effective leadership, client driven, professional.*

- Clear definition of market role and business model of affordable housing providers (Austria, US)
- Legislation defining conditional use of housing subsidies, incentivised by tax regime governing housing providers (Austria)
- Modernisation of traditional public management to become more client focused and build appropriate links with partners (US, Austria, Canada)
- Competitive dynamic promoting professionalization, productivity and social mission (subsidy competitions Vienna, Austria)
Programmatic capacity

*Ability to plan long term and steer strategic actions to achieve desired housing outcomes*

- Mechanisms to drive new production and stabilize markets (conditional supply programs, reinvestment requirements, Austria)
- Specific programs to address long term agendas (Energy efficiency and carbon emission goals, Austria, movement to opportunity and rent assistance demonstration, US)
- Planning mechanisms to improve access to building sites and generate local funds (municipal obligations Germany, inclusionary planning US, land use zones, Vienna)
Networking capacity

*Integrating not isolating, effective inter-governmental relationships, working with partner providers, community ally not an island*

- Recognition that social housing is not an island, breaking down silos and forming appropriate partnerships (US, Canada)
- Strong professional body (government requires membership) which audits members, shares technical innovations (Austria).
- Requires sector to compete for available subsidies and for larger developments collaborate with multiple partners (Austria)
- Expectation that large providers integrate space social services and facilities in their developments, but not necessary provide them (Austria)
Strategies for capacity building 5/5

Political capacity

Framing of the problem, linking more influential agendas, forming constructive alliances, sophisticated relations with private sector, using the media wisely

- Link social housing to broader economic and environmental agendas beyond welfare (Austria, Germany)
- Institutionalise multi-stakeholder evaluation, client focused (Vienna)
- Establish housing alliances, involving all stakeholders in more collaborative forms of governance (Germany alliances, US local charters)
- Establish feasible and enforceable social charters governing privatised housing stock (German social charters versus Austrian legislation)
- Educate the media and take a more proactive role in defending affordable housing (US, some German cities)