



National Affordable Housing Providers Ltd.

TO: The NRSCH Review Working Group, NRSACHreview@facss.nsw.gov.au
FROM: Carol Croce, Project Officer
DATE: 5 April 2019

RE: Review of the National Regulatory System for Community Housing

Thank you for the opportunity to submit comments on the National Regulatory System for Community Housing (NRSCH) Review Discussion Paper.

The National Affordable Housing Providers (NAHP) is the national industry peak body representing the interests of National Rental Affordability Scheme (NRAS) Approved Participants and assisting in the delivery of affordable housing across Australia. NAHP members are a mix of not for profit housing organisations, commercial and ASX listed entities, representing the broad interests of companies engaged in the field of providing private affordable housing in Australia, including NRAS and other State and Federal Government initiatives.

Our interest in the NRSCH review is twofold. First, many of our members are community housing providers (CHP) who provide affordable housing (primarily through NRAS) and are regulated under the current regulatory system that is tailored to the provision of community housing within a social housing context. It is our contention that portions of the regulations are not appropriate nor applicable to the provision of affordable housing and need to be modified.

Second, the growth of the affordable housing market and recent Government initiatives at the Commonwealth and State levels in this area has flagged the need for a regulatory system for non-CHP affordable housing providers. The NRSCH is perceived as the default option for this regulatory oversight. However, it is not fit for purpose for the delivery of affordable housing (as noted above) and it excludes providers who are not community housing organisations, which includes a significant number of our members and many of the key players in the NRAS space. NAHP's members hold responsibility for over 50% of all NRAS delivery and have demonstrated their expertise in delivering quality affordable housing and successfully securing over \$10 billion in private investment into NRAS. It is our contention that a regulatory system for affordable housing must be inclusive of the full range of affordable housing providers and must be appropriate to the provision of this housing tenure.

Our comments are confined to only a few of the consultation questions that are relevant to our concerns.

Q#2: *Should community housing regulation apply to all forms of affordable housing, including for profit providers? What modifications to the NRSC would be required to appropriately support their inclusion.*

The short answer is no, with respect to the current community housing regulations. The purpose of this Review is to evaluate the appropriateness and effectiveness of the

existing system for community housing at present and for its anticipated rapid growth in the coming years. That should be the first priority before consideration of expansion to other entrants. That said, urgent consideration needs to be given to the regulation of affordable housing given the anticipated growth in this market as a result of Commonwealth and State housing initiatives. Without being under the NRSCH 'umbrella' non-CHP affordable housing providers are ineligible for most Commonwealth and State affordable housing initiatives. NAHP contends that *all* affordable housing providers need to be 'inside the tent' to ensure that Government is able to utilize the expertise and experience of all existing affordable housing providers and fulfill its affordable housing objectives and targets.

Taking a step back, NAHP believes a broader approach should be taken and a regulatory system for the provision of all Government-assisted housing should be developed. This could include include community housing, affordable housing, indigenous housing, social housing, specialist disability accommodation, and possibly aged care. It could minimize duplication of reporting where providers are involved in more than one type of housing. It could provide regulatory consistency and uniform compliance across housing sectors and greater transparency and assurances about provider performance to tenants, financial investors and the general public.

NAHP acknowledges that such an approach is beyond the scope of this review. However, our point is that the best approach when reviewing the NRSCH is to be open to a more radical re-design of the existing framework rather than a 'tinkering' around the edges to expand the current system for new entrants. Having a more flexible structure that could be easily configured in the future to reflect different tenant populations, different housing-related services, or different financial risk factors would be beneficial as other non-community housing providers enter the housing regulatory system.

NAHP strongly believes that affordable housing providers should be assessed on the quality of the housing service delivered and the performance of the organisation rather than be precluded from participating in affordable housing initiatives based on its governance structure, i.e. for profit providers and non-CHP charitable organisations versus community housing providers. Our members' success delivering NRAS housing reflects the capability of non-community housing providers to effectively and efficiently deliver dwellings in the affordable housing arena. Yet their governance and operational structure prevents them from participating in NRSCH because these structures are incompatible with the existing NRSCH guidelines.

There is an undisputed need for regulatory oversight of affordable housing and the NRSCH – in a revised form—is the most efficient and logical location at this time given the large number of community housing organisations in the affordable housing sector. Notwithstanding our support for a more universal housing regulatory system, NAHP supports reforms to the NRSCH that would establish different performance outcomes and benchmarks for affordable housing providers *and affordable housing services* than those for community housing and *community housing services provided in a social housing context*.

This would mean that community housing providers would be regulated for their affordable housing activities against different performance outcomes and benchmarks than for their community housing activities and would be regulated under the same performance outcomes as non-CHP affordable housing providers. This could mean that some current Performance Outcomes such as Tenant and Resident Engagement,

Community Engagement and Support Services for High Needs Social Housing Tenants would not be applied when regulating affordable housing services. While these Performance Outcomes and their specified benchmarks are important for assessing community housing performance, they are not relevant for affordable housing providers who accommodate a different tenant population.

For example, Performance Outcome 1a: *facilitating access to support for social housing applicants and tenants with complex needs* should not be applied to affordable housing providers. It is unwarranted given the tenant profile for the target population of affordable housing is largely lower and moderate waged households suffering housing stress due to high rents in the private rental market. The existing Performance Outcome is relevant within a social housing context but inappropriate in an affordable housing context.

Q#3: *What do you think the vision for regulation of the sector should be moving forward and how could the design and operation of the NRSCH support this?*

The affordable housing sector is poised for rapid growth over at least the next decade and the community housing sector will be a major player in this expanding market. It will require a robust and 'fit for purpose' regulatory system that is flexible enough to accommodate new entrants and partnership arrangements in residential development projects with new financial conditions and considerations. The current NRSCH is too narrowly focused on community housing as a deliverer of services in a social housing context. As noted in our response above, the NRSCH must develop distinct performance outcomes and benchmarks that are appropriate to affordable housing.

That said, a new structure must minimise duplication of compliance requirements for community housing providers who also provide affordable housing, recognising that compliance with benchmarks within a community housing performance outcome are transferable, where appropriate, to performance outcomes in an affordable housing framework.

Whether this can be achieved through additional tiers to the existing system or through a parallel framework that compliments the NRSCH will require much further investigation and modeling. However, a name change that reflects the broader portfolio of housing services being undertaken by community housing organisations is warranted, e.g. National Regulatory System for Affordable Housing.

Q#4: *What is the impact (positive or negative) of having three different regulatory systems across Australia? Would there be benefits in WA and Victoria joining the NRSCH?*

Enough time has elapsed since the introduction of the NRSCH for both of these jurisdictions to have worked through their concerns with the national system and move towards opting in to the system. It is ludicrous to have multiple regulatory systems for what is a relatively small sector. The introduction of Commonwealth housing initiatives through the National Housing Finance and Investment Corporation (NHFIC) should be the impetus to require participation in a national regulatory scheme so as to provide institutional investors assurances of consistent application of uniform national regulations. Other federal housing programs, such as NRAS, require all participants to adhere to uniform national regulations to provide assurances to

private investors and Government funders that NRAS providers are performing to a regulated standard of performance.

Q#5: *Are the purpose and objectives on the NRSCH and the IGA still relevant? Do they appropriately address current and future challenges (such as those outlined in this paper). Why/why not? What changes might be needed?*

Our response here follows on from our comments to Question 2. The scope of housing services that community housing organisations are providing has expanded into broader affordable housing target populations that do not include vulnerable tenants. These are households in need of housing that they can afford without being in housing stress, i.e. paying more than 30% of their income in housing costs. They are low and moderate income workers whose wages have not kept up with rising housing costs and are suffering in high cost private rental markets. They need well located housing at an affordable rent *but* they do not need the tenant services that community housing organisations so successfully provide to more disadvantaged tenants and those with high needs.

Community/affordable housing providers should not be accountable to a set of performance outcomes and benchmarks that are not relevant to the tenants they house. This will require a disregard of certain Performance Outcomes and/or a different set of Performance Outcomes when assessing affordable housing providers and/or affordable housing activities.