

# Community Led Development ©2015

## Ethical, Socially Responsible Investment in Social and Affordable Housing and the Sustainable Use of Land

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The vision of Shelter SA is for every South Australian to have an affordable place to call home, especially people living on low incomes.

Shelter SA members and stakeholders often come to us with problems and look to us to help them overcome policy and systems issues. Improving the supply of social and affordable housing with a view to more effectively addressing homelessness is at the heart of our work. Shelter SA is currently gathering interest in a concept to create new housing that incorporates some below-market rents to provide alternative social housing opportunities.

Due to the welfarisation of the system and income-based rents, the predominant model of delivering public housing today requires an ongoing government subsidy. Income based rent for people living on low incomes is calculated at 25 per cent of a household's income and is well below market rent. Without market level rents to subsidise housing portfolios, public and community housing provision is not a profitable activity.

The transfer of public housing to community housing organisations is only happening slowly in SA. Transfers are progressing at the tenancy management level rather than with the title transfer that could create opportunities for financial leveraging and an increase in the supply of community housing. Without a substantial capital investment to increase the supply of social and affordable housing, improvements in housing affordability and a reduction in homelessness are proving impossible.

Land costs comprise a substantial percentage of the price of new housing. The price of housing has risen disproportionately to incomes over the last twenty years, placing

home ownership out of reach of many people, especially those living on low incomes. At the same time, public housing has been sold off with profits going back into general government revenue, rather than re-invested in the supply of social and affordable housing.

Parcels of land, with or without buildings on them, can be a financial drain on landowners. There is an opportunity to harness land assets to build new housing that incorporates some social housing, achieves a social mission and create a market rate of return. To implement a new concept of Community Led Development we need to look at traditional models of investment slightly differently and ask whether or not there is another way to achieve the new supply of social housing without a government subsidy, in a sustainable and progressive way.

Traditional investment in property is often tailored to maximise the return on investment. People who own land that is undeveloped are not maximising their return on investment and new building on the land could improve this situation.

Shifting the traditional property investment paradigm from focus on maximising individual profits to one of profit sharing and partnership between landowners and investors is a barrier.

When people on low income pay less than market rents, who is morally responsible for subsidising the cost of their housing? Governments are not willing to pay an ever-increasing bill and take sole responsibility for bridging the gap between low incomes and the cost of housing. Is it then fair for other tenants and households to pay more to subsidise low income households? No individual investor is likely to be willing to do this and if the costs are not spread evenly

across the community, it would be an unfair and inequitable burden on some citizens.

Given the above factors, there is an alternative housing, development and investment concept that includes the following elements:

- private investment and financing (no government funding, subsidy or grant monies)
- partnerships between land owners and investors that are mutually beneficial, financially sustainable and profitable
- profit sharing within the partnership
- unique socially responsible, ethical Investment
- creation of capital growth and cash flow that may not be available to individual investors or land owners alone
- the provision of housing that is affordable for a range of income levels including both market and below market prices for people living on very low incomes
- social mix that ensures tenants and residents are from all walks of life
- excellence in design and high quality materials
- environmentally sustainable
- job creation through new builds
- new builds minimise maintenance costs and maximise tax advantages through depreciation
- slightly higher density to maximise land use and minimise building costs
- landowners retain their land and utilise a 99 year lease arrangement.

Shelter SA has a strong interest in the supply of social and affordable housing within the current set of policy and funding constraints. We have built a strong network of relationships with stakeholders and supporters of a Community Led Development concept including architects, social investors, builders, economists, land owners, media, politicians and all levels of government in order to progress the idea.

*Watch this space.*