



Australian Government



National Housing Finance
and Investment Corporation

AUSTRALIA'S SOCIAL AND AFFORDABLE HOUSING SECTOR: A RESILIENT RESPONSE TO COVID-19

October 2020

INTRODUCTION

The National Housing Finance and Investment Corporation (NHFIC) and the Community Housing Industry Association (CHIA) jointly interviewed representatives of 30 Community Housing Providers (CHPs) between June and August 2020 about COVID-19 and its impact on their operations. Please refer to the Appendix for further information about the research and data collection methodology.

KEY INSIGHTS

- Community housing providers (CHPs) showed their resilience, experiencing minimal financial impact while quickly pivoting to ensure they continued to provide services.
- The impact on rental revenue has been minimal (a decrease of less than 3 per cent) because most tenants receive welfare benefits, which were not affected.
- Less than half of affordable housing tenants lost work or had their hours reduced. Longer-term effects will emerge if tenants currently on JobKeeper are unable to return to work or find a new job.
- Challenges were experienced across different property types; for example, more was spent on cleaning at properties with higher-density common areas, and tenants in boarding houses or co-living situations found it difficult to maintain social distancing.
- The change in the number of people enquiring about housing assistance varied. Some CHPs recorded significant increases, particularly in regional areas, while others had roughly the same number of enquiries.
- There is an almost universal expectation that demand for affordable housing will increase in the coming years as a result of the unstable economic outlook.
- CHPs' development and expansion plans have been largely unaffected by COVID-19.

OVERVIEW

The COVID-19 pandemic in 2020 has had a devastating impact on the Australian economy and the day-to-day life of many Australians. NHFIC, in collaboration with CHIA, interviewed representatives of 30 CHPs on the immediate and longer-term effects of COVID-19 on Australia's social and affordable housing sector, and how it has responded to challenges presented by the pandemic. This research aims to assess the pandemic's immediate and longer-term impacts, including how different cohorts of tenants have been affected and how the sector has responded.

FINANCIAL IMPACT

Almost all interviewees noted that the pandemic had a relatively minimal impact on their immediate financial position. Despite this, most believed it could take them up to three years to make up the financial shortfall from postponed rent reviews and discretionary rental relief.

REDUCED RENTAL REVENUE

Most interviewees reported a slight decrease (less than 3 per cent) in rental revenue. Rental income from social housing tenants was largely unaffected because many tenants' main income source was welfare benefits, which were unchanged. In many cases, social housing tenants had received the Coronavirus Supplement since mid-March, which included the doubling of JobSeeker payments.

“80% of our income is from people on Centrelink payments and those households, their income has actually doubled in this period.”

(Tier 1 CHP, NSW)

Participants from a small number of CHPs (fewer than five) noted that some tenants used this additional income to either repay their rental arrears or to pay rent in advance. Others used it to buy daily essentials or items they were saving for.

CHPs with affordable housing stock (20) were most affected by reductions in rental revenue. However, less than half of their affordable housing tenants applied for rental relief due to losing work or having their hours reduced (not all applications for relief were approved, in accordance with government guidelines).

“We had, I think, six [tenants] apply for rent relief, and five of those we granted for periods ranging from a month to two months when they lost their income.”

(Tier 2 CHP, ACT)

RENT REVIEWS WERE POSTPONED

All CHPs normally review tenants' rent twice a year, in March and September, when welfare payments are indexed in line with changes to inflation¹. Following government advice, all except two CHPs cancelled the March rent review. This was mostly aimed at allowing tenants to have more cash for extra costs, such as buying cleaning products and food, during the initial lockdown period. One CHP went further, automatically reducing all rents by 2 per cent for 12 months, anticipating that households would continue to have additional costs until early 2021. Tenants whose financial situation was more deeply affected (for example, through loss of work) could apply for additional rental relief. All participants said their CHP also expected to cancel the September rent review.

*"I supposed the rent freeze has had an impact, and that's quite quantifiable[...] We've decided to freeze up to a 12-month period, so that's a 2 per cent increase that we may have had."
(Housing association, Victoria)*

The two CHPs that conducted rental reviews did so on the basis that the income of most tenants was unchanged. Tenants whose income was reduced could still apply for rental relief. In fact, most tenants experienced significant increases in income, thanks to the supplementary payments. These increases were not included in rent calculations, so their rent stayed the same. Postponing rent reviews is more likely to have a longer-term impact on many CHPs' finances, requiring them to revise their budgets and forecasts.

OPERATIONAL EXPENSES ROSE

All interviewees noted that their CHP spent more on meeting hygiene and social distancing guidelines. This included buying and installing protective screens, hand sanitiser and cleaning products for the office. A small number of CHPs (fewer than five) also provided some of these products to tenants who had difficulty accessing them.

CHPs also incurred additional costs preparing staff members for off-site working, including helping them to buy home office furniture, such as ergonomic chairs, to satisfy occupational health and safety requirements. About half of the organisations had recently upgraded their

¹ Some welfare payments (such as the Age Pension) are indexed by the greater of the movement in the Consumer Price Index or the Pensioner and Beneficiary Living Cost Index. They are then benchmarked against a percentage of male total average weekly earnings. <https://www.dss.gov.au/about-the-department/benefits-payments/previous-indexation-rates>

equipment and technology, making it a smooth transition that did not require a lot of additional input or purchases. A small number of CHPs (fewer than five, typically large Tier 1 CHPs) reimbursed staff members for home internet usage or provided assistance to upgrade their internet plans.

“I think it was about [\$30,000 or \$40,000] or \$50,000. But really, this is bringing forward the capital budget for other equipment and focusing on laptops rather than some other things – put [in] a few extra screens, those sorts of things. We always keep a supply of smartphones.”
(Housing association, Victoria)

PUBLIC-FACING OFFICES NEEDED TO BE OUTFITTED

While most CHPs largely moved to off-site working early in the pandemic, many maintained a physical presence with a small number of staff members continuing to work from the office. These staff members often worked in functions where in-person help (for example, for intakes and emergencies) was vital. This particularly applied to multi-service providers², with CHPs that also offer homelessness and family and domestic violence assistance often keeping at least one public-facing office open.

“What we do is let some customers into our interview rooms, and staff go back to their desk and interview them via telephone. Then after they leave, we clean the room and clean the phone and we have a hygiene procedure that's followed.”
(Tier 2 CHP, Queensland)

CHPs needed to adjust these public-facing offices, such as by installing protective screens, and upgrading or purchasing new technology to assist with intakes. This included installing video-conference equipment to allow for appropriate distancing and introducing digital concierge services.

² Multi-service providers are defined as CHPs that also provide other support services in addition to social tenancies, including specialisations in homelessness, family and domestic violence, drug and alcohol rehabilitation, aged and/or disability care.

“We introduced what we call a virtual concierge in all of our offices. Basically, it’s simply a massive video screen with arrows that point people to a place to stand as they walk in and someone on the screen in front of them, welcoming them, explaining what’s going on [...] Then we direct them into one of our interview rooms and then my staff on the other side of the wall will ring.”

(Housing association, Victoria)

SPENDING ON TRAVEL AND UTILITIES FELL

Participants reported that their CHP reduced its operating expenditure due to off-site working and travel restrictions. Travel expenses decreased significantly, with most staff members working off-site, including pivoting to provide assistance for housing services over the phone or via the internet. They also saved time, conducting meetings online instead of travelling to hold them in person. Most interviewees spoke of reducing or cancelling all staff training and upskilling activities, providing further opportunities for savings. With most offices closed or working at a considerably reduced capacity, most CHPs also significantly reduced their utilities bills.

MULTI-SERVICE PROVIDERS FELT FINANCIAL EFFECTS

A number of multi-service providers (fewer than 10) discussed the financial impact on their broader organisation’s finances. While the impact on rental revenue was largely minimal, other areas of their operations were affected. Two CHPs that also offered residential aged care and/or disability care services noted a significant reduction in revenue from these areas due to the closure of some services or users cancelling their services out of fear of having outsiders in their home. One organisation let go 80 per cent of staff members working in those roles and through JobKeeper assistance was able to rehire only about half to work in other areas. While multi-service providers generally did not cross-subsidise their different services (due to separate and specific revenue streams and strict rules regarding grant expenditure), participants noted that their operations could affect the financial situation of the broader organisation.

“It was our disabilities [service] that took the major hit because all their clients went home so they could be well. So we took a big hit in disability income of \$2,000,000.”

(Tier 2 multi service provider, Queensland)

FINANCIAL ASSISTANCE

Only three participants noted that their CHP received financial assistance when transitioning to off-site working in response to COVID-19. Only one very small Tier 3 received donated refurbished laptops. A small number of multi-service providers (fewer than five), however, received additional funding to expand or adjust their service distribution in response to COVID-19. This additional funding, largely from state governments, was provided to offer rent relief, to switch existing services to outreach, or to fulfil long-identified gaps (for example, relating to food insecurity) that became more acute through the pandemic. Most of the additional funding was made up of one-off, time-limited payments.

“Some of our programs support seniors and people with disabilities, and so we were calling them. One program alone has over 1,000 [people], so it takes a lot of phone calls. Particularly the seniors, some phone calls were an hour long because they just had nobody else to talk to, but that’s also a very important thing. And for that particular program, the government did give us extra dollars, delivery services for groceries and things like that.”

(Tier 2 CHP, Queensland)

IMPACT ON ASSET MANAGEMENT

Restrictions on movement and social distancing guidelines have had a significant impact on CHPs' asset management. This has resulted in a change to their maintenance scheduling, inspections, cleaning and upgrades. The effects on development and expansion have been minimal, though participants spoke of the need to redesign their new developments in view of changing needs.

MAINTENANCE SCHEDULES CHANGED

All but one CHP stopped property inspections and scheduled maintenance services during the lockdown. These were only gradually reintroduced when restrictions began to ease in late June and early July³. These CHPs only performed responsive maintenance if tenants called to request it. A small number (six) restricted maintenance services to emergency repairs (where tenants were in immediate danger and repairs were needed within 24 hours). The only CHP that did not stop scheduled maintenance was a Tier 2 CHP in an area of regional Queensland where there were no reported cases of COVID-19. Before undertaking scheduled maintenance, this CHP checked with tenants to make sure they were comfortable with workers visiting in person. It also asked tenants to temporarily vacate the property, and ensured their tradespeople adhered to social distancing and sanitation requirements. Only a small number of tenants turned down scheduled maintenance due to personal safety concerns.

"We didn't stop any maintenance at all. We did everything that was required. What we did was put all of our effort into managing the hygiene requirements and compliance of our staff and our contractors. In some instances that meant that people were entering properties with masks and gloves and PPE, and asking the tenant to actually leave the property and remain outside until they finished."

(Tier 2 CHP, Queensland)

CLEANING NEEDS INCREASED

Increased hygiene and sanitation requirements meant both offices and some types of property were more deeply and regularly cleaned than previously. Interviewees from CHPs that operate boarding houses spoke of the difficulty of maintaining proper social distancing

³ Except in Victoria, where restrictions were reintroduced in response to a second wave of outbreak.

and isolation in compact living conditions, especially in view of shared facilities such as kitchens and laundries. A reasonable proportion of their tenants also experience mental health conditions that make it harder for them to adjust to lockdown and isolation requirements. Interviewees from CHPs that operate transitional housing reported similar challenges and concerns. One commented that the CHP's homeless youth shelter was the most challenging to manage.

The increased hygiene and sanitation requirements also extended to some social housing stock. This was especially so for higher-density buildings, where common areas – including hallways, stairwells, lifts and shared facilities – needed to be cleaned more frequently than previously. CHPs were able to renegotiate with their cleaning contractors to fulfil the new requirements. This was usually done at additional cost to them, without any external financial assistance. Cleaning of other property types remained the responsibility of tenants.

CHPS PIVOTED TO VIRTUAL INSPECTIONS

Ten CHPs – particularly the Tier 1 and larger Tier 2 CHPs – pivoted to conducting property inspections (and welfare checks) on digital platforms such as video calls. Participants from smaller CHPs that do not have this capacity mentioned concerns about the condition of the properties. They said 'problematic' tenants were especially concerning, particularly in view of increased reports of drug and alcohol use and/or incidences of family and domestic violence (usually via a neighbour's complaints). Most interviewees also noted that there were fewer reported incidents of anti-social behaviour, particularly in public or common areas. But some participants (fewer than three) said there were concerns that some of these behaviours may have taken place within the home rather than in public.

COMMON AREAS WERE UPGRADED

The reduced movement of people allowed a small number of CHPs (fewer than five and typically larger Tier 1 CHPs) to continue performing or to bring forward maintenance and/or upgrade plans for public and common areas. NSW CHPs that received management transfers could take advantage of the state housing authority's one-off stimulus payments to upgrade public areas of government-owned but CHP-managed estates. A couple of these CHPs also brought forward maintenance and upgrade budgets to do the same for estates or properties they owned.

“We've already taken advantage of some stimulus from [the] NSW Government as far as repairs and maintenance ... but I'm watching what we spend that on. There was a ton of external facade stuff that needed to be done and our customers in the regional area were first to start work.”

(Tier 1 CHP, NSW)

IMPACT ON ACCESS AND HOUSING DEMAND

Interviewees described a variety of experiences in relation to changes in demand for housing assistance. These variations were the result of both their location and state-based intake and housing allocation procedures.

MINIMAL CHANGE TO OVERALL DEMAND

All participants noted an increase in the number of calls for assistance during the initial weeks of lockdown, but very few (fewer than five) noted a significant increase. This change in demand is not evenly distributed, reflecting the state, territory or region the CHP operates in and the services it offers.

In Queensland, all but one CHP did not experience any change in the number of calls for assistance. This reflects Queensland's centralised intake system under which the state housing authority is responsible for receiving and assessing social housing applications. The exception was a Tier 2 CHP in a regional area with few other housing services and no state housing office. Calls to this CHP quadrupled during the initial three weeks of lockdown. This included enquiries about different kinds of assistance, such as rental relief (including people renting privately), and accessing government rental assistance and social tenancies.

"There aren't many people in [this regional city] who provide these services, so when people know a few, then obviously those are the only few that they can contact."

(Tier 2 CHP, Queensland)

Interviewees from some multi-service providers also reported increases in demand. This was particularly so if the CHP also offers homelessness and family and domestic violence services, and if at least one public-facing office remained open. One inner-city CHP noted a sixfold increase in calls or visits for homelessness assistance in the initial weeks of lockdown.

"The actual demand in some of our locations has risen by a factor of six times our normal daily contact numbers, so over 300 calls a day, for example, in our [inner city] office."

(Tier 1 multi-service provider, Victoria)

However, the increase in calls for assistance could be distorted, with many interviewees from multi-service providers noting that several other, typically smaller service providers in their local area temporarily or permanently closed, meaning people they used to assist needed to seek alternatives.

“The smaller support services, the smaller crisis services and the emergency relief providers have closed, and most people have some rudimentary sign on their door saying, due to COVID their offices are no longer open, but please ring this number for assistance, then ring that number and no one answers or the phone rings out [...] They’re coming to us because our door is still open.

They are also coming extra aggravated and frustrated and aggressive because they’re going to a number of places, and picking up the phone and ringing and no one’s helping them.”

(Tier 1 multi-service provider, Victoria)

PROJECTED HOUSING DEMAND

There is an almost universal expectation that demand for affordable housing will increase in the coming years as a result of increased unemployment and the recession. As such, all interviewees strongly supported calls from peak industry associations for economic stimulus packages that prioritise the construction of social and affordable housing, in line with similar stimulus spending after the global financial crisis in 2007–09. Two participants, however, thought that demand for affordable housing may decrease if private rental properties become more affordable and available, especially in metropolitan areas. As a result, there may be less demand for affordable housing, which – unlike private rentals – has additional eligibility requirements despite offering a more secure tenure. These contrasting views will continue to influence CHPs’ development plans and the products they focus on.

When asked, none of the interviewees could quantify the magnitude of the projected change in demand. This reflects the timing of the interviews and participants’ uncertainty over financial support mechanisms like JobKeeper, as well as the depth and duration of the recession. All but two interviews were completed prior to the Australian Government announcing on 23 July 2020 that it would extend JobKeeper payments.

IMPACT ON DEVELOPMENT PIPELINES

Generally, the COVID-19 pandemic had little impact on CHPs' development pipelines. Most CHPs (20) that have development plans in place – mainly Tier 1 and some Tier 2 CHPs – noted that these contracts had either been signed off and would continue as agreed, or that they would continue to look for new opportunities. Most CHPs would finance longer-term or strategic plans through state-funded renewal programs or national funding/brokering opportunities like NHFIC's Affordable Housing Bond Aggregator. Only one participant highlighted that their CHP may adjust its original strategy of selling part of its new developments to private buyers while retaining other parts for social and affordable rental. This may change in view of changing market conditions; for example, it may retain more properties if prices fall.

EFFECT ON MIXED-TENURE DEVELOPMENT PARTNERSHIPS

Several participants (11) noted that their CHP had partnered with developers for mixed-tenure projects. These were either through private ventures or state-initiated estate renewal schemes like NSW's Communities Plus program. Discussions focused on industry's ability to continue delivering these projects, especially if sales prices for the private portion of developments did not meet initial forecasts. Some interviewees expressed concerns that parts of developments would be delayed or abandoned. A couple of participants saw potential benefits, such as being able to purchase units originally planned for private sale to retain them for social and affordable housing, possibly at a lower cost. Likewise, several interviewees – from CHPs that are considering development projects on their own (or through private ventures) suggested they may be able to buy land at a cheaper price as housing markets cooled. Two spoke of the need to redesign some of their developments, especially shared facilities, and particularly boarding houses.

“One project integrated within a long-term housing development had four bedrooms, shared bathrooms and a laundry. We now need to futureproof our organisation, so it's being redesigned so that every bedroom has its own ensuite. Our learnings from managing shared housing now is that anything with shared facilities is very, very problematic through an event like this, and we do have to prepare for that in the future.”

(Tier 2 CHP, Queensland)

The development and investment industries acknowledge the financial resilience of the CHP sector. They are starting to view social and affordable housing as a safe investment option that also provides an important service.

“We don't and can't offer the ... double-digit returns, nor are we in a position where that reflects the volatility or risk position that is commensurate with the need for that sort of return.”

(Tier 1 CHP, NSW)

Several interviewees (mainly from Tier 1 but also some Tier 2 CHPs) said increasing numbers of property developers and investment firms had contacted their CHP in recent years (but especially since COVID-19). This is broadening both their funding opportunities and the types of housing products – social and affordable housing, build-to-rent and affordable sales – they can deliver in partnership with developers. Despite this, the sector still needs government investment for its developments and to provide services. This is especially important for smaller CHPs that do not have development capacity and also face mounting costs.

EXPANSION THROUGH SHORT-TERM HEAD LEASING

Despite the projected increase in demand for social and affordable housing, all but two participants said their CHP had not changed its development pipeline. They will continue to operate using existing mechanisms such as state renewal programs and private debt funding. One revealed the disappointment of having to abandon development projects because of their broader organisation's uncertain financial situation. Another said their CHP was able to temporarily expand by head leasing⁴ vacant public housing from the state government.

“We've actually been able to take on some more properties in [town], [an] additional three properties during the pandemic. So we're able to increase our stock, which has been great. We have a contract with that until June 2021, so we will continue to head lease [from the state government].”

(Tier 3 CHP, Queensland)

⁴ Head leasing is typically where a rental property is rented from a private landlord/owner by a CHP or a state housing authority, which then on lets the property to a low income or disadvantaged tenant eligible for social housing. The difference between market rent and social rent is usually subsidised by the CHP or with government assistance such as Commonwealth Rent Assistance. The head lessee (CHP) may also be responsible for paying the rental bond. <https://www.ahuri.edu.au/research/ahuri-briefs/what-is-head-leasing>

EFFECT ON NON-HOUSING SERVICES

Participants from two multi-service providers said some of their non-housing services had experienced a significant financial impact, with implications for the financial viability of their broader organisation. One interviewee noted that they needed to abandon plans for two development projects due to the reduced financial capacity of the broader organisation.

“We were progressing two development projects, which would take NHFIC finance just now. We were waiting to sign the contract by 30 June. We have pulled the pin on both at the last minute because of the current economic climate – the risk-averse approach the Board has decided to take. So yes, that does affect our expansion plans greatly.”

(Tier 1 CHP, Queensland)

CONCLUSION

CHPs have largely proved their resilience and agility through the pandemic. The impact on their finances has been minimal, accounting for less than a 3 per cent decrease in rental revenue. This was due largely to the majority of tenants being on welfare benefits, which were not affected.

Less than half of affordable housing tenants lost work or had their hours reduced, so the overall percentage of tenants who needed, and were approved for, rental relief was negligible. This financial stability and an agile workforce has enabled the sector to pivot quickly and continue delivering vital services to disadvantaged and vulnerable households, despite the social distancing challenges.

However, people are beginning to feel the broader effects on the economy, with several CHPs receiving more calls for assistance during the initial weeks of lockdown. CHPs in regional areas were especially affected because fewer services offer assistance anyway. Among those that do, some had closed, with multi-service providers that remained open filling the gap left behind.

Looking to the future, there is an almost universal expectation that demand for affordable housing will increase as a result of the unstable economic outlook. This highlights the growing need for affordable rental options, some of which may be satisfied by a fall in rents in the private rental sector. However, demand for social and affordable housing remains unmet.

APPENDIX

ABOUT NHFIC

NHFIC was established by the Australian Government under the National Housing Finance and Investment Corporation Act 2018 and is defined as a corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013*. NHFIC is part of the Treasury Portfolio of agencies and reports to the Assistant Treasurer and Minister for Housing (the responsible Minister).

NHFIC is dedicated to improving housing outcomes. We offer loans, investments and grants to encourage investment in housing, with a particular focus on affordable housing. This includes providing finance to eligible projects that create housing. We can help important housing projects go ahead – strengthening housing supply, improving access to cheaper and longer-term loans for community housing providers, and supporting affordable housing.

ABOUT CHIA

CHIA is the peak industry body for the Australian community housing industry, which provides one in five of Australia's social housing properties, complementing public housing.

On behalf of its members, CHIA undertakes research, policy development and advocacy in relation to social and affordable housing issues. Based on national and international evidence, CHIA's core argument is that the much-needed growth and development of the Australian affordable housing system can only be achieved if the community housing industry is empowered to play a significantly expanded role.

THE RESEARCH

This research was conducted between late June and early August 2020 and took a qualitative approach, with semi-structured interviews being the main method of gathering information. In all, 33 senior management or executive-level participants from 30 CHPs were interviewed. A total of 54 providers were invited to participate. The organisations interviewed represent a mix of CHPs from different tiers of registration (Figure 1), size (Figure 2), financing strategies and specialisations (Figure 5), operating in different states and territories throughout Australia (see Table 1, Figure 4). The 30 CHPs manage more than 53,000 social tenancies nationally, accounting for about 80 per cent of all community housing tenancies in Australia. They own over \$5 billion worth of assets, and collectively receive more than \$450 million in rent annually (with an average of \$8,438 in rent per tenancy, see Figure 3).

Each interview took approximately 45 minutes and was conducted via phone or video conference, in line with COVID-19 social distancing guidelines. Audio of the interviews was digitally recorded with participant consent and formed the basis of the analysis in this paper.

OVERVIEW OF PARTICIPANTS

Figure 1. Number of participating CHPs in each registration tier⁵

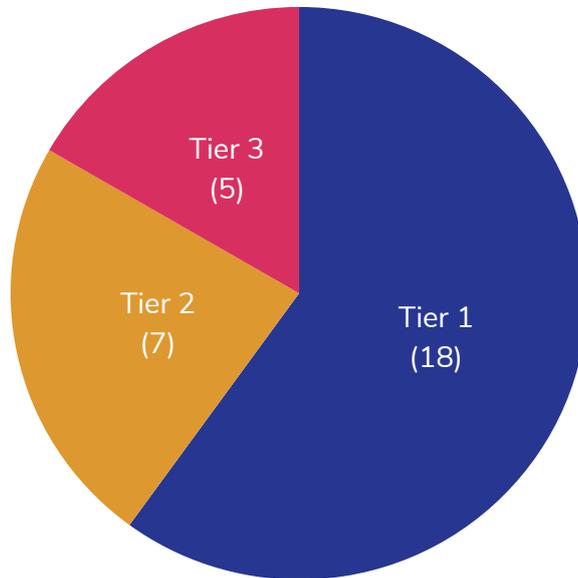
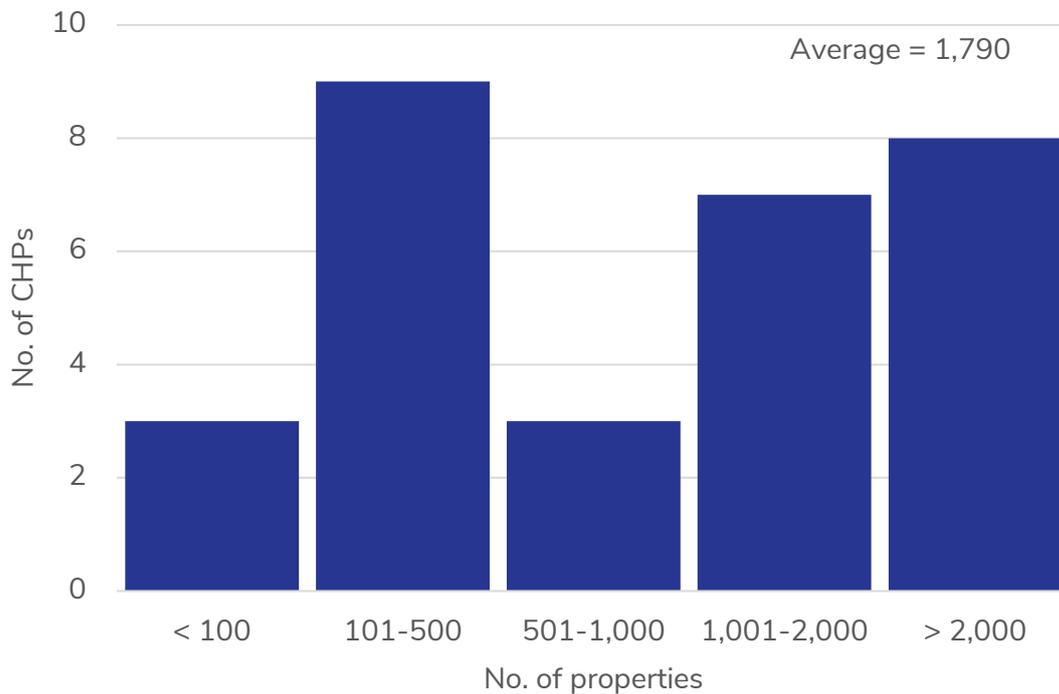


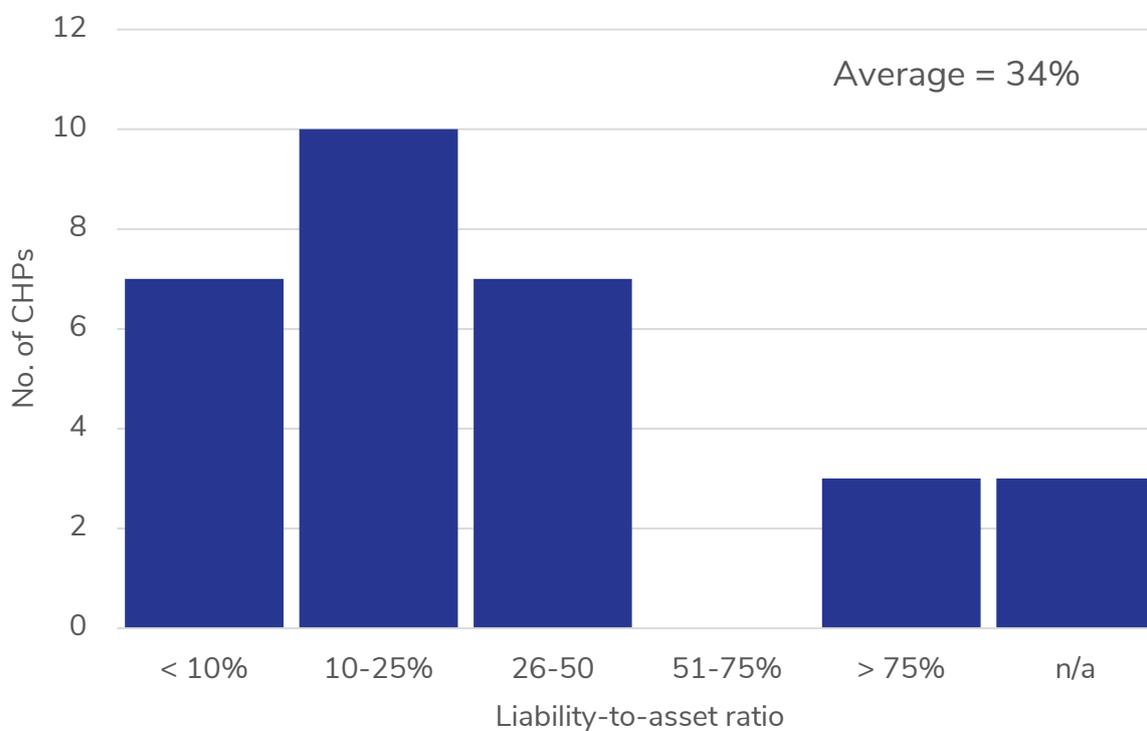
Figure 2. The number of properties participating CHPs manage



Data source: latest available annual reports

⁵ The registration tiers are categorised according to the National Regulatory System for Community Housing and the WA Community Housing Registration Office. Housing associations registered in Victoria are included as Tier 1 organisations. No housing providers were interviewed.

Figure 3. Participating CHPs' liability-to-asset ratio



Data source: latest available annual reports

Table 1. Primary jurisdiction in which participating CHPs operate

State/territory	Number of CHPs
New South Wales	10
Victoria	2
Queensland	9
South Australia	2
Western Australia	2
Tasmania	0
Australian Capital Territory	2
Northern Territory	1
Multi-jurisdictional	2

Figure 4. Main region of operation

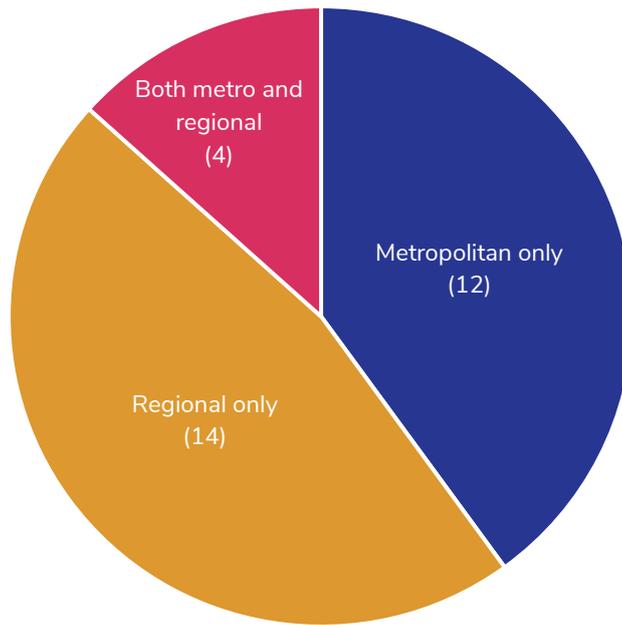


Figure 5. Participating CHPs' areas of specialisation

