

## GROWING AFFORDABLE HOUSING FOR WOMEN

### ABSTRACT

*Women's Housing is focused on ensuring that all women have the right to safe, secure, affordable housing choices.*

*Through strategic business planning and development Women's Housing has grown from a start up company with net assets of \$230,000 in 2009 and is striving towards business maturity. Today Women's Housing has net assets of \$30million. Women's Housing seeks greater growth in providing housing for disadvantaged women but the continued uncertainty as a result of the Global Financial Crisis (GFC) and tight bank guidelines has seen future growth being more difficult to achieve. So where do social housing providers sit and how will they be perceived and where can sustainable growth occur within the bounds of acceptable risk profiles.*

*To date Women's Housing has delivered product that mixes with mainstream communities at lower deliverable cost, but more importantly has allowed disadvantaged women to integrate seamlessly into communities and begin the journey of financial independence.*

*The paper will outline the journey of growth that Women's Housing has embarked upon, including the commercial structures and associated risk profiles within the organisations governance framework, to achieve growth. It will also discuss where and how sustainable growth might be achieved.*

**Keywords:** Affordable Housing, Asset Growth, Development, Strategic Vision, and Commercial

## INTRODUCTION

While the Global Financial Crisis (GFC) affects all, Women's Housing Limited (WHL) believes that women are particularly vulnerable to changing market conditions and increasing unemployment. Women who are likely to experience housing stress include older women nearing retirement age with limited superannuation; women with disabilities; elderly women; indigenous women; women with young children who are unable to access childcare that allows them to work; and women who are forced to leave their family home because of domestic violence.

WHL has grown from an organisation of net assets of \$230,000 in 2009 to a company that, at the end of this period of growth, will have \$30 million in property assets with a debt liability of \$4.9 million (which is to be paid down in 15 years). WHL is now poised for its next growth phase. A clearly articulated strategic vision and a structured and comprehensive engagement program have seen WHL establish sustainable, long-term relationships with Government, as well as a range of support agencies and builders. WHL has delivered product within mainstream communities at a lower deliverable cost but, more importantly, has created housing that allows disadvantaged women to integrate seamlessly into the community and begin their journey towards financial independence.

## ABOUT WOMEN'S HOUSING

WHL is a Registered Housing Provider in Victoria (as noted in the Housing Act ["the Act"] sections 107-110). WHL's business focuses on providing affordable rental properties to women and households headed by women.

### Mission and Values

WHL's mission is to ensure that *all women have safe, secure, affordable housing choices*.

WHL is committed to the following principles in all that it does:

- Safe and secure housing is a right afforded to all women
- Service provision is culturally appropriate and accessible to all women
- Self determination, respect and dignity underpins all service delivery activities
- A feminist philosophical framework underpins the need for gender-specific housing
- Collaboration and partnership with key stakeholders is necessary on issues of strategic importance to homeless women
- Transparent accountability in effective and efficient operations
- Commitment to continuous quality improvement.

### Business

WHL has a seven Non Executive Directors on its Board, all of whom are women in senior executive positions. The Board reflects a matrix of skills to ensure governance and stewardship of the organisation to the highest standards.

WHL has implemented The Australian Governance System to manage the business; this is supported by extensive industry- and organisational-specific policies and procedures.

To deliver its business, WHL is managed by a Chief Executive Officer, who is supported by a Operations Manager and Chief Financial Officer. It also employs Tenancy Managers, Tenancy Workers, Clerical Staff, and an Asset Manager.

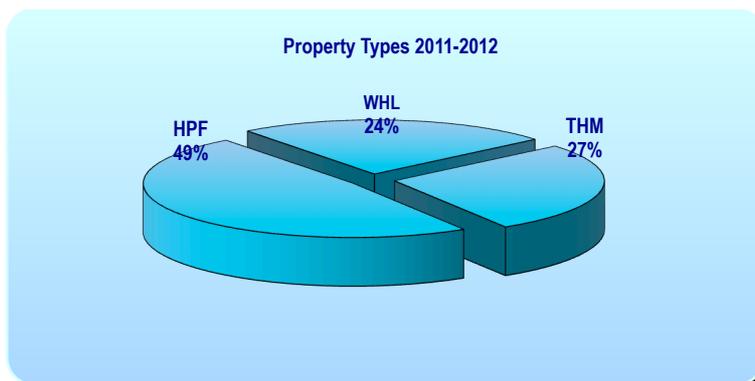
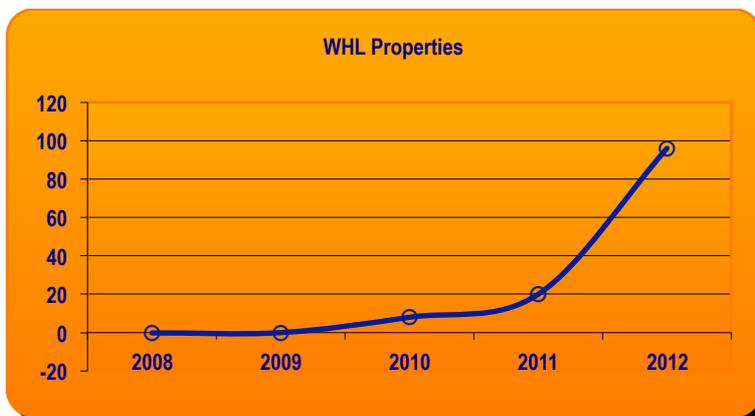
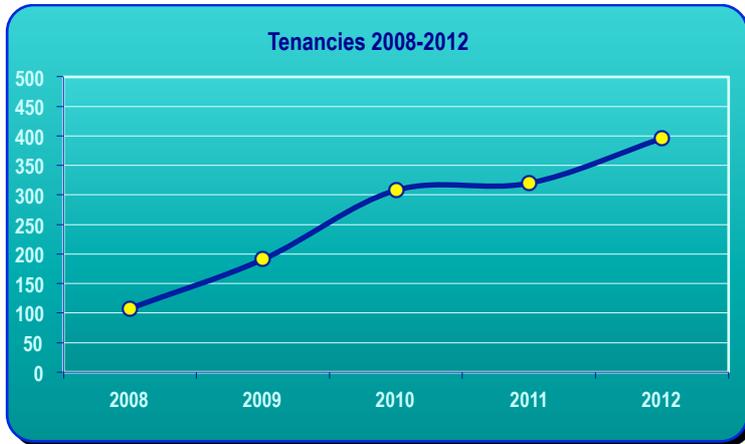
WHL currently owns 96 dwellings and manages 110 transitional housing properties, 18 long-term properties and 9 rooming houses (191 tenancies), 96 social housing units and 12 detached units. But while WHL's core business is housing, the organisation is also contractually required to ensure tenants are linked to support. Services offered by WHL include:

- Property and tenancy management
- Housing information and referral
- Housing advocacy
- A housing establishment fund

- Public housing priority assessment to people who are homeless or at risk of homelessness.

## Financial

WHL's 2010/11 financial records demonstrate an organisation that is financially secure, as is shown in the graphs below.



## RESEARCH THAT SUPPORTS THE POSITION

Numerous researchers have considered the issue of housing affordability, but some are more directly relevant to the course that WHL has taken.

In 2000, Badcock and Beer described a scenario where, as home ownership rates fell, private rental housing increased, but public rental accommodation disappeared. This scenario led to significant gaps between high cost cities (such as

Sydney, Brisbane and Melbourne) and lower cost metropolitan areas, including Adelaide and Hobart. Burke and Zakharov (2005) followed this with an analysis that noted future housing in Australia was becoming less egalitarian, with an increasing number of individuals struggling to find appropriate and affordable housing.

Yates and Milligan (2007) noted that some specific households were more vulnerable to housing stress, including young, single people, households with children, private renters, purchasers, working households and households in the larger capital cities. It further noted that low-income renters had greater problems and that 50% of private rental households experience severe housing affordability problems.

Many of these reports influenced Tually, Beer and Faulkner. In their landmark report, "Too Big to Ignore", they researched issues associated with Australian women's housing between 2006 and 2025. The report concludes that many challenges relating to housing for women already exist and are only likely to become more acute. In some circumstances, housing challenges for women will be driven by universal trends such as:

- Households will become smaller
- Social isolation may increase, particularly for people following divorce or the death of a partner
- Housing stock will become more dense, requiring more open shared space
- The indigenous population, being younger than average, will be more fertile
- The incidence and impact of disability will increase as the population ages
- The private rental market will tighten with increasing rents
- The real price of housing is rising and that rate is likely to accelerate
- Home ownership rates are declining.

Given these general trends, women are likely to be particularly disadvantaged because:

- They have lower wages
- They have periods out of the workforce due to greater care responsibilities
- They are more likely to be carers of people with a disability
- They are more concentrated in public and private rental areas of higher housing stress
- They are more likely to assume the primary carer's role after divorce
- They may be confronting domestic violence, which may force them from their homes.

For WHL, the most telling learning from the research was the recognition of the very real impact that violence in the home has on women and children, including the fact that they are often forced out of their homes by the culprit's behaviour. The report notes that there is evidence of shortfalls within the current response system and that there is a clear need to provide pathways back into conventional, safe, secure and affordable housing for women and their children.

These research findings bear out WHL's own experience that women are particularly vulnerable to housing stress. This is driven partially by the fact that women's incomes are generally lower than those of men, which, in turn, is influenced by the gender wage gap, intermittent and part-time workforce attachment, as well as occupational segregation into lower income industries.

Women are also more vulnerable to changing social and market conditions. In particular, women's housing security and economic position is more likely to decline with divorce and separation. As Australia's aged population (with its higher proportion of women) increases, affordable housing will become an even more pressing issue.

## **THE JOURNEY**

While the GFC has affected all, WHL believes that women are particularly vulnerable to changing market conditions and increasing unemployment. Housing stress is likely to be experienced by older women nearing retirement age with limited superannuation; women with disabilities; elderly women; indigenous women; women with young children unable to access childcare that enables them to be employed; and women who are forced to leave their family home because of domestic violence.

The needs of these women have combined to drive WHL's journey of growth over recent years, from:

- Start up and infancy – how to survive and get more properties?
- Adolescence – how to accelerate growth, make the business more effective, make acquisitions more predictable, and smooth out the peaks and troughs?
- Growing Pains – how to handle a slowdown in growth, long hours, constant pressure, and the search for new opportunities for continued growth?

Women's Housing journey is now focused on business maturity – characterised by stable growth and turnover, a business that generally runs smoothly, and a high degree of control and comfort..

## **Start up and infancy**

WHL began its journey in late 2008 at a strategy workshop for the Board and Senior Management where a Five Year Growth Strategy was facilitated by Joseph Connellan, Director of MC Two Pty Ltd. The goals established during this workshop, and described in the resulting Strategic Plan, covered three broad areas:

- Securing additional properties to manage
- Building a profile for both women's housing issues in general, and WHL in particular
- Developing and delivering successful property projects.

## **Adolescence**

With their vision and strategy now set, WHL now had to take action. Their first step was to organise and manage the Inaugural Women's Housing Conference, which was successfully staged on Tuesday 4<sup>th</sup> August 2000. This event, coupled with a very clear communications program, raised recognition of the issue of housing for women with key Federal and State Ministers and Government Officers. It also brought recognition to WHL and its staff.

In March 2009, WHL engaged Pelorus Solutions to review WHL's capacity and capability to deliver development projects. This review covered:

- Capacity – WHL's ability to manage risk, raise funds and deliver housing projects on time and on budget
- Capability – consideration of the required resources, project management, systems and expertise required to deliver the proposed projects.

The review concluded that WHL had a lower risk profile and would require additional resources and funds to achieve its vision of successfully developing and delivering projects for its target client group.

In March 2009, WHL established that it did not have the policy, processes or resources to undertake the full development process itself, but could review its capacity to undertake:

- Acquisitions of newly built units on the open market, either as they reached completion or during the process of construction
- Acquisitions of existing units, which would frequently require upgrade work by WHL
- Development of units by a development firm, where WHL would buy the finished units and make progress payments throughout the construction process.

To help WHL achieve the above goals, the review established:

- A comprehensive risk matrix for reviewing property purchases and transactions
- A terms sheet for inclusion in legal documentation
- A commercial framework for the assessment of property transactions and their short- and long-term economic sustainability
- A Development Brief with criteria to assess any built form against
- A Due Diligence framework for reviewing any transaction

- Resource capacity to source property for WHL.

In addition, in 2009, WHL consulted with Domestic Violence Victoria, women's refuges, family violence outreach services, and Wombat Housing Services, who identified that singles and small families find it difficult to secure affordable long-term housing. The domestic violence sector nominated the Eastern and Southern Regions, within 20 kilometres of the city, as areas where it was particularly difficult to secure housing for women experiencing domestic violence.

Women's refuges advised that women who have experienced domestic violence are suited to living in medium density housing as it adds to their sense of security to have neighbours close by.

During this period, WHL also actively pursued Government outsourcing of Tenancy Management opportunities. This resulted in achieving 121 additional tenancies to manage.

## **Growing Pains**

WHL set out to source opportunities, including Government funding for equity and properties that could be acquired. WHL quickly found a developer ready to sell eight town houses that had a planning permit and were ready for construction. Additional funding was secured through the Nation Economic Stimulus, which became the source of partial equity (the remainder being raised through debt). The transaction was concluded and today WHL has eight families living in these units, all from Public Housing Category 1 lists.

With the advent of the National Economic Stimulus, WHL entered negotiations with two organisations for approximately 84 dwellings. Both involved developments where WHL would buy the finished units and make progress payments throughout the construction process. Despite due diligence, both of the organisations had their shortfalls: one proved to be financially unstable and the other, a major Australian company, proved unable to show clear lines of responsibility and continually changed the commercial and financial arrangements.

The development transaction with the financially unstable developer achieved town planning in the most difficult of circumstances (including fierce community opposition). Negotiating the various aspects of the development agreement and achieving financial close proved to be a long and trying process. In many cases, WHL had to undertake the role usually undertaken by the developer (such as providing guarantees to ensure that authorities would provide trunk services). Despite all these issues, construction has commenced and will be concluded in the first half of 2012.

The development arrangements with the other party were abandoned when it became obvious that WHL was not going to achieve its required outcome. In the end, it was cleaner to withdraw.

In dealing with these most difficult of transactions, WHL developed a comprehensive understanding and suite of processes, principles and parameters that today underpin all WHL developments. As well, WHL gained an understanding of its risk profile for undertaking its own projects, which would guide all future developments.

Accordingly, WHL developed a Property Development Management Strategy, with policy, procedure and tools organised around the following key criteria:

- Project Development Management Structures
- Commerce
- Finance
- Treasury
- Marketing
- Property Design
- Community Engagement
- Contracting
- Construction
- Project Delivery

The risk profile that WHL has now adopted in undertaking its developments includes:

- WHL is responsible for land acquisition, initial design and town planning approvals, authority fees and finance costs
- The Builder is responsible for the Design and Construct and the subdivision.

WHL found replacement projects with the backing of National Economic Stimulus grants and was able to purchase five townhouses from a known developer off the plan. Five families now tenant these townhouses, and all residents were referred from the public housing wait list.

The replacement projects (and all future development sites) were assessed by the following criteria :

- Locations that have good access to public transport, employment, health services, education/training and retail services
- Properties that will be indistinguishable from the greater community to ensure true integration
- Incorporation of universal design specifications and durable finishes in dwellings supplied
- WHL will act as developer and work with its selected team of consultants and builders.

WHL selected a team of consultants and a builder and, over an 8-week period, carried out due diligence and feasibility assessments for 12 properties. The preferred property had a difficult vendor, but WHL managed to achieve terms that made a development commercially feasible. The land contract was signed in July 2010 and settled on October 2010. Planning permits for 27 apartments over 4 levels were achieved prior to settlement.

At the time of writing, the project is ahead of schedule and will reach practical completion in November 2011. More importantly, WHL has proven its ability as a developer of quality projects that can be delivered ahead of time and budget. WHL has also proven its ability to establish relationships with commercial parties that are based on mutual respect and agreed risk profiles.

The other, very important part of achieving business maturity has been the establishment of Treasury within the organisation and the establishment of commercial relationships for debt with large commercial organisations.

## **CONTINUED GROWTH**

The continued uncertainty as a result of the GFC and tight bank guidelines will see many social housing providers stalling. So what is their real position? How are they perceived, and where can sustainable growth occur?

Government is seeking the most risk adverse position (limited public expenditure and public housing props up the State finances). As a result, Government wants social housing providers who can provide certainty of outcome, deliver well-maintained properties within developments and, most importantly, have a sound understanding of both the mixture and management of tenants.

In a nutshell, social housing providers need to understand how to develop projects that are financially, economically and socially sustainable. But how are they to achieve their own goal of sustainable growth as well?

A key requirement for financial viability is the creation of income above expenses. For WHL, income generation is also governed by debt covenants that require the income generated from the properties (less the expenses and provisions for maintenance) to be a factor of 1.5. This requires careful balancing of the tenant profile and is an ongoing feature of WHL's management review.

WHL will continue to pursue growth through self-funded projects, stock transfers, Government funding opportunities, and various niche opportunities and partnerships available to WHL as the "go to" provider for housing for women. WHL favours future developments where it assumes risk and retains the associated development margin by the purchase of land, the negotiation of town planning approval and the construction of dwellings.

The following scenarios all present potential growth options for WHL.

### **Self-funded projects**

WHL has analysed its existing properties, which are situated within 10 km of Melbourne, in an area that has been gentrified, in terms of their economic life as an affordable housing asset.

An independent maintenance report on the properties indicates that the level of expense required to bring these properties to an acceptable living standard makes the retention of these properties problematic. Given this report and other ongoing issues, WHL is concerned that the properties do not provide tenants with housing that adheres to the basic principles of being safe, secure and affordable.

A comprehensive plan has been established to leverage one site's asset value and to develop three housing projects of eight units each. While the site's current seven units would be lost, 24 new units would be built – a net increase in housing stock of 17 units. In addition, these units would be new and require less maintenance in the short term.

The overall plan includes the relocation of the tenants to housing in the same area. This arrangement is possible thanks to the strong partnerships that WHL has developed with other housing agencies.

WHL also currently manages a number of Housing Provider Framework (HPF) properties that are not optimal either as rooming house accommodation or as general housing. These properties have been assessed to determine the most effective way to improve and increase the available housing stock, without a major new influx of funds.

WHL's conclusion is that asset transfers could allow these properties to be sold, and the funds reinvested in property development. Scenario testing indicates that this would not only improve the standard of living of the tenants, but would also increase the available housing stock.

## **Government Funding**

Assuming that Commonwealth and State policy initiatives will combine to provide further growth opportunities for community housing organisations, WHL has demonstrated through the Nation Building program that it has the capacity to manage a substantial development pipeline.

Growth is a key part of WHL's mission, and as part of this, WHL is seeking opportunities to link grant funding with other sources to achieve the construction of additional housing units. As a rapidly growing organisation, WHL already has the systems, processes and structure in place to manage these additional within current work practices.

## **Department of Justice**

For some years now, WHL has had an established partnership with Corrections Victoria and the Victorian Office of Housing (OoH) to provide a Justice Pathways Program for women who are exiting prison.

Victoria's women's prisons are overflowing with a record number of offenders. The Department of Justice 2009-10 Annual Report says that, in 2009, the number of female prisoners in Victoria, at 313, was the highest since 1892 and that over the past two years the number of female prisoners has increased by 32%.

The report states that this alarming increase in the women's prison population has been caused by population growth, longer sentences, more targeted police operations, advances in police technologies leading to more arrests, and a no-tolerance attitude by police to drug-related violence.

Anecdotally, WHL know that when women leave prison with no home to go to, they are more likely to reoffend and return to prison than those who have stable accommodation available. WHL, in partnership with the Department of Justice, OoH and various support agencies, has established specialist housing and support services to help women leaving prison.

Through funding from Corrections Victoria, WHL has increased staffing in their Justice Pathway's Program from one worker to three over the past two years. Transitional housing stock dedicated to these women has been increased to 33 properties. To complement this service, WHL is now working closely with the Justice Department and OoH to secure additional short- to medium-term accommodation housing for women leaving prison until they can access long-term housing.

It is feasible that WHL can also arrange an innovative funding mix that combines Federal and State Government Housing Funding with equity from the Department of Justice and bank debt to deliver longer term, affordable housing for this client group.

In 2010, the Department of Justice provided WHL with capital funding of \$1m to build four new units for the Housing Pathway's Program. Given the increase in the women's prison population and with \$26 million allocated to extend the Better Pathway's program over the next four years, WHL will be seeking further capital funding in the future.

## **Philanthropic**

In 2009, WHL received funding (paid over 2 years) from the R.E. Ross Trust to support their work of securing additional housing stock. Due to WHL's recognised ability to manage projects effectively, additional funding has been sought from the Ross Trust to increase organisational capacity and implement sophisticated Asset Management and Maintenance systems.

There is further scope for the philanthropic community to help WHL achieve their vision, and WHL is committed to entering into additional partnerships in this area.

## CONCLUSION

Today, WHL is positioned to be a lead agency in the provision of housing for women and the delivery of aligned services. The key drivers for WHL's services include contributing to the growth in and effective management of community housing stock, and advocacy for the housing needs of women and children.

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