A bit of housing justice - the story of HomeGround Real Estate

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Overview

This case study explores HomeGround Real Estate, an innovative model of delivering affordable housing pioneered by HomeGround Services (now Launch Housing) in Victoria.

While most affordable housing initiatives focus on increasing stock of new social housing, HomeGround Real Estate represents an intervention in a sector largely neglected in the housing affordability space – the mainstream private rental market.

Launched in 2014 as “Australia’s first not for profit real estate”, HomeGround Real Estate essentially comprises two streams, commercial and affordable. Through the commercial stream, properties are offered for rent at market rates. The agent commission subsidises the agency’s affordable housing initiative, under which property owners forego a proportion of rental income so the property can be provided at an affordable rate to low income tenants.

A key element of the HomeGround Real Estate model is the unique tax ruling obtained by Launch Housing from the Australian Tax Office. This enables its landlords to claim a concession for the difference between market rent and the affordable rental rate agreed with the agency, regardless of how low that rate is, representing an innovative way of leveraging the tax system to facilitate provision of affordable housing.

The HomeGround Real Estate experience provides valuable insights into the conditions which foster innovation in the not for profit sector and the challenges of growing a profit-for-purpose entity whilst staying true to purpose. Further, it demonstrates the importance of affordable housing initiatives driven by agencies that understand homelessness, are able to work effectively with those in most need of affordable housing and are committed to “housing justice.”
In 2012 Heather Holst pitched an idea at a job interview. The interview was for the role of CEO of HomeGround Services, one of Melbourne’s largest providers of housing and support services. The idea was a not for profit real estate agency. The interview panel liked Heather and they liked her idea – well, Heather said, they didn’t say no! She got the job and in March 2014, HomeGround Real Estate Agency was launched as a project of HomeGround Services.

Heather had worked in housing and homelessness for over 20 years, in service delivery, research, policy and advocacy and program development roles. She was highly regarded in the sector as a strategic leader guided by a strong commitment to the rights of people experiencing homelessness.

It was an idea Heather had had for a while, that there would be private landlords willing to have their properties managed by a not for profit agency to house their service users, and that such an initiative could draw on the "great untapped potential" of the private rental market. To Heather, it seemed like a no-brainer.

The extent of demand for affordable housing in Australia is well documented (Council on Federal Financial Relations 2016). According to the National Housing Supply Council there is a shortage of over half a million rental dwellings that are affordable to people on low incomes (Hamilton 2014, p 3). The ABS reports that over a quarter of the approximately 3.6 million households on low incomes nationally are living in housing that is unaffordable, defined as where housing costs exceed 30 per cent of income. Over half of all low income renters in Australia are in unaffordable housing (Council on Federal Financial Relations 2016, p 3).

The lack of private rental housing that is affordable to people on low incomes, is of a decent standard and provides security of tenure directly contributes to demand for social housing, including public housing managed by state governments and community housing managed by not for profit agencies. Around 187,500 households are on waiting lists for social housing across the country (Council on Federal Financial Relations 2016, p 3). For many of these households, social housing is the most appropriate tenancy for reasons such as physical or mental disability or drug or alcohol addiction that make other housing options unsustainable. However, there are many others who could live in mainstream housing if affordable, decent and secure properties were available to them (NSW Government 2015).

Governments at both state and federal levels are seeking ways to increase supply of affordable housing primarily by financing new stock that will generally be managed by community housing agencies. There is increasing interest from both government and the private sector in impact investing models that can grow affordable housing (Hamilton 2014, p 3). However, there has been almost no attention by policy makers to improving the affordability of housing in the mainstream private rental sector, in spite of the fact that
nearly a third of all households in Australia rent in the private market (Council of Federal Financial Relations 2016, p 3). While initiatives to build new affordable housing are essential, it is difficult to see how these alone will be sufficient to meet the scale of demand for affordable housing. It would seem that intervention in the private rental market is indeed a no-brainer.

Right idea, right place, right time

Heather’s not for profit real estate agency model essentially comprises two streams, commercial and affordable. Through the commercial stream properties are offered for rent at market rates. The agent commission subsidises the agency’s affordable housing initiative, under which property owners forego a proportion of their rental income so the property can be offered at an affordable rate - usually 75 per cent of market rent - to low income tenants. (Levey 2015, p 37).

Heather’s idea was a good fit for HomeGround, which would join with Hanover Welfare Services in 2015 to become Launch Housing. Prior to the merger, HomeGround’s mission was “to get people housed and keep people housed” (HomeGround Services 2014, p 3). Yet as for other community housing agencies, unmet demand was a constant challenge. In Heather’s words, "We have literally thousands of people coming through seeking housing (and) we know we’ve got maximum access to public and social housing...we’ve got as much as there is and is likely to be. We (always say) that we need more social housing...but you can’t only do that when you’ve got those thousands of people.”

HomeGround was an agency known for its willingness to innovate. Under its previous CEO Stephen Nash it had led the establishment of Elizabeth Street Common Ground, a “supportive housing” development targeting highly vulnerable people experiencing long-term homelessness. Based on a United States model it was a first for Australia both in terms of the development and the significant financial contribution leveraged from the property developer Grocon (HomeGround Services 2010).

The timing was right for the agency to try something new. As Heather tells it, with something of a policy vacuum with respect to social housing in Victoria the real estate idea was seen as “a kind of hopeful thing, for us to be making our own luck and improving supply at a time when there were cuts (and) no extra money.”

HomeGround had a strong foundation on which to build the real estate agency. It was providing housing and support to nearly 10,000 households each year (HomeGround Services 2014, p 22), including managing over 300 properties for the Office of Housing as a community housing provider. It was well known and trusted in the sector and the scale of its operations gave it the capacity to adopt and grow the real estate model. It had the requisite infrastructure including a reception facility, finance and communications capabilities. It had expertise in managing properties and tenancies, in more difficult circumstances than in the
mainstream rental sector given the nature of its service users, and with the objective of keeping its tenants housed. It also had two qualified real estate agents on staff who had chosen on principle to work with the agency instead of in the private sector. Lastly, the purpose of HomeGround Real Estate was "central to the purpose of the whole (agency): growing the housing supply for very marginalised people."

Launch Housing is not the only social housing provider to hold a real estate licence or to enter the private market to support its social mission. A number of agencies have real estate qualifications which they use to manage properties under the National Rental Affordability Scheme (Hamilton 2014, p 9). Possibly most relevant in terms of the HomeGround Real Estate model is Women’s Property Initiative which established its “social enterprise real estate agency” midway through 2015, however its focus is on real estate sales and property management to fund its community housing projects (Women’s Property Initiatives 2016). As Heather noted, HomeGround is the only agency to have developed a real estate capacity specifically to expand the rental stock available to homeless people.

The model also has some similarities to the social letting system in the United Kingdom. Through social letting a private landlord can have their property managed by an authority responsible for managing social housing properties, however this isn’t done in a way that resembles property management in the private sector; whereas HomeGround’s objective in establishing the real estate agency was to occupy what it saw as a niche in the private rental market.

Making a start

Establishing the agency took around twelve months from start up to launch. It was important that it not look, in Heather’s words, like “some half-baked thing”. They sought advice from critical friends including real estate industry representatives involved in the Rotary Club of Melbourne which had been a partner on the Elizabeth Street Common Ground development. They advised that the real estate market was saturated but this didn’t deter HomeGround, as they felt what they were doing was a significant point of difference. They also advised that the regulatory burden would be prohibitive but, as Heather said, “it just isn’t compared to the regulatory burden on an ordinary charity!”

Yet the requirements of establishing a real estate agency were not insignificant. HomeGround had to apply for a real estate licence, establish a trust account and, most challenging, have a licenced real estate principal "acting as the officer in effective control" of the agency. This would have cost over $200,000 had they put them on staff, well beyond initial capacity. A lucky break came in the form of Phillipe Batters, a well-regarded Melbourne real estate agent who agreed to act as principal on a pro bono basis. He knew of HomeGround as he was based in South Yarra which was one of their catchment areas, but his commitment was due to one of Heather’s board members who “put the hard word” on
him. This resourcefulness in drawing on the agency’s networks and strong reputation would be pivotal to getting the real estate agency off the ground.

In conjunction with the CFO Ernst Ferreira who was critical to putting the idea into practice, Heather developed a business case which was presented to the HomeGround board in July 2013. It proposed a slow start in which the agency would initially be a pilot funded mainly from existing resources. They had made one application for $50,000 to a charitable trust that they were advised was being considered favourably, but the significant philanthropic funding they later received was not on offer at that stage. In Heather’s view this was a good thing - it means the board made a "purer" decision as to whether or not to proceed.

Initial projections were based on the speed with which the agency could build up a rent roll and the required balance of market rental and affordable properties to make the model viable. Their breakeven point was at the end of year two at which they planned to have 214 properties, around three quarters of which would be market rental properties with the remainder affordable. The business plan flagged that further growth above this point would require profit generation.

In reflecting on the response of HomeGround’s board to the real estate agency proposal, Heather offers some insights on leadership for innovation in the not for profit sector.

“Some boards have a kind of ‘steady as she goes’ setting. Some directors do too, even within boards that have more of a willingness-to-try-something orientation. It’s a decision-making style. Some people need to be able to feel like they know exactly what (something is) going to look like, whereas others are happy to say, that stacks up for now, let’s take the next step and see what happens, and walk with you.

What skill set you have on your board is really important. The critical thing (for the real estate) was that the chair had built businesses. The ones who were harder to convince were the ones who’d never grown a thing!

(In terms of risk) probably the really important thing was that there wasn’t a whole lot of investment in it and we weren’t going to be left with a thing on our hands that we wouldn’t know what to do with. The thought always was...that we can scale it up, or not, if the income didn’t come in. That was a really big insurance actually...that we weren’t going to be over-capitalising something that wasn’t going to bring in money. That basically we could invest as much as we got.

(If it didn’t work) the worst that people would think of us was that we’d given what seemed like a pretty interesting idea a very good go. Which is not a bad identity for a not for profit to have.”
Board members also found themselves drawn into the regulatory requirements of establishing a real estate agency. They had to become non-executive directors of the agency and, as required for a real estate licence, provide undertakings that they hadn’t committed certain kinds of crimes - not a usual requirement of a not for profit board! Heather recalls that it was somewhat confronting for some to find themselves personally involved at that level, but that it contributed to a sense that they were “all in it together”.

It was proposed that the real estate agency be established as a project of HomeGround Services rather than as a new company in order to utilise the agency’s charitable status and to minimise unnecessary effort. This would mean it could receive philanthropic funding and offer tax deductibility to landlords who would be “donating” a proportion of their rent by having their property managed within the affordable housing stream. Once the agency began to be profitable, surplus funds would be reinvested in the agency’s social mission, meaning there would be no impact on its charitable status. Nevertheless, it took considerable work to establish the case for the Australian Tax Office (ATO) ruling covering HomeGround Real Estate’s operations, with the full ruling recently confirmed and published on the ATO website.

At the same time the agency was working to build up its rent roll, a process in itself. Traditionally real estate agents buy a rent roll, a database of landlords and properties which they then work to maintain and build on, but HomeGround didn’t want to go down this path. Aside from the prohibitive cost, the philosophy of the agency was that landlords would come to them, in Heather’s words, “having thought about it. (It’s a way of) spreading that understanding about homelessness and affordable housing”. This philosophy would have implications for the speed and nature of the real estate agency’s growth.

The ease with which HomeGround was able to get philanthropic funding for the real estate agency came as a pleasant surprise to Heather - donors “understood straight away what we were up to.” As she explains,

“Philanthropic trusts tend to be run by people from private enterprise type backgrounds. Normally, people like (us) waffle on about our social welfare programs and case management and targets, and it’s all very clear and apparent to us. But the simplicity of taking a well-known concept like a real estate agency and then twisting it (for a social purpose) was really helpful.

I was frankly surprised by how much people got it and then were enthusiastic about it. (Part of) the surprise to me was realising how mystifying I’d been to people! And I suppose we hadn’t expected to get the grants because normally your grant rate is pretty low, you get one every now and again. But this - it was like catnip!”

Initially the real estate agency received nearly $142,000 in grant funding, none of which was recurrent. But what would really get the agency off the ground, and significantly influence its
direction, was the approach from realestate.com.au in late 2014 with a funding proposal worth $450,000 over three years to help grow and expand HomeGround Real Estate. There was another $600,000 over three years from realestate.com.au for private rental brokerage on top of this funding to support to the rapid rehousing of women and children who were fleeing family violence. As Heather tells it, realestate.com.au was at a point in its growth where it was developing its corporate social responsibility capacity. Given the nature of its business, it wanted to do something in the area of homelessness or affordable housing and which had national reach. This appealed to HomeGround which had thought from the outset that the real estate agency may be replicable in other states; the funding from realestate.com.au would present them with the opportunity – and the challenge – to expand nationally. Lastly, and interestingly, the secular nature of HomeGround was attractive to realestate.com.au, whose staff group felt strongly about working with a non-religious organisation.

Telling a good story

HomeGround had a good story to tell in its socially responsible real estate agency and one which appealed to donors but for the agency to be effective, it would have to appeal to property owners. Heather was determined that the agency "have a really commercial look" and that it be marketed as a professional property management service which delivered a social benefit. In developing the communications and marketing strategy they were fortunate to be able to draw on HomeGround’s strong communications capacity in the form of communications manager Cathy Beadnell and valuable pro bono assistance from digital marketing firm Stokes Street Studio, the company that had developed HomeGround’s branding. As Cathy relates,

"We’d engaged a marketing mob that weren’t that terrific, and it turns out that really one of the key things from my perspective (was that) Stokes Street knew us, we had a relationship with them so they understood the business in terms of our social work, the work we do in homelessness so they were really good at adapting that."

No less important was communicating about the agency internally, both to workers and to service users. Being part of HomeGround Services was core to the success of the real estate agency on a number of levels. It enabled it to draw on HomeGround’s charitable status, its strong reputation with stakeholders, its organisational capacity and its expertise in housing people who had been homeless or at risk of homelessness. But it was important to bring staff along on the journey. As Heather said,

“When you have something that you’re putting a lot of energy into internally, (when) there are teams of workers who aren’t part of the new favourite thing, there are interesting challenges in that. (And) if staff aren’t convinced, if there’s something else they think management energies should be spent on, that’s seriously worth listening to.”
It was important to “demystify” the real estate agency for workers so they understood the rationale for the new program and how it worked. In an environment of ever-increasing demand for continually scarce housing, it was imperative that workers knew how they could access HomeGround Real Estate properties for the individuals and families they were supporting where appropriate. Two years down the track, Heather says the workers are proud of the real estate agency, and of "being (part of) an organisation that does this kind of thing.”

Heather relates how the real estate agency also presented something of a cultural challenge for service users:

“We launched at Federation Square and we wanted to do that confidently because we thought it was a big Melbourne story. Some of the consumers who came were really worried that HomeGround had lost the plot, that we were abandoning our usual (service users). I don’t think we needed to be reminded but that was a reminder that there’s a lot of people who feel really strongly about what we do and didn’t want us to be running around forgetting the main game and maybe no longer pushing for maintenance (of) and growth in public housing.”

These experiences illustrate some of the challenges faced by not for profits seeking to innovate whilst remaining true to their identity and their base.

**Profit and purpose**

Calling themselves “Australia’s first not for profit real estate agency” proved to be a strong hook and garnered them significant free media in the early days – as Cathy said, "journalists loved it". She notes that they had some push back regarding their use of this term from housing providers who obtained real estate licences in order to manage properties under NRAS but mandates that their difference is that the real estate agency is built and marketed on the model of a commercial real estate.

While HomeGround Real Estate is described as a social enterprise in its business plan and corporate communications it does not emphasise this as core to the agency’s identity. Both Heather and Cathy express reservations about the “fuzziness” of the term, feeling that it means different things to different people. Heather notes that some social housing providers such as Urban Communities have established separate profit-making companies in order to diversify their funding sources (Social Traders 2009) which is different to what she feels they are doing, as the real estate’s purpose is core to Launch Housing’s mission. They feel more comfortable with the term “profit for purpose” as they feel this better reflects their identity; in Cathy’s words, “we’re not in it to make money, certainly we want to make some money but all of that (will be) reinvested into the core business and will subsidise our other programs eventually.”
While clear about the objective of generating profit through the real estate agency’s commercial stream to subsidise its affordable housing provision, not wanting to be seen to be “in it to make money” seems to be at the root of Heather and Cathy’s discomfort with the term social enterprise – perhaps indicative of a sense that it emphasises the “enterprise” over the “social”.

In her analysis of the potential of social enterprise and other social impact investment models to increase supply of affordable housing, author Carrie Hamilton notes that such hesitation around applying the term social enterprise to community housing is not uncommon. She observes that the "insularity of the social housing sector relative to the broader social services sector and private development sector is dissipating" due to initiatives such as NRAS, and suggests that the “labeling problem” regarding social enterprise may be limiting the profile of the innovations taking place across the sector.

Further, "Descriptors involving community housing vs affordable housing vs social housing have repeatedly confused stakeholders and too narrowly-defined those who pursue mixed-tenure projects..."Social enterprise" could well reflect the stage that...CHPs (community housing providers) may be entering... Being classified as a social enterprise may expose the community housing sector to some new sources of funding without losing sight of why they were set up."

However, Hamilton notes the caution of the Australian Housing and Urban Research Initiative that the scale of the need for affordable housing cannot be met by social enterprise alone and that fundamental funding from government will still be necessary (Hamilton 2014, p 7). This echoes Heather’s determination that while pursuing innovation in the form of the real estate agency they not lose sight of their advocacy for growth in government-funded social housing.

**Breaking even**

By the end of their first two years of operation, HomeGround Real Estate found itself with fewer market rental properties than expected. This was in part due to its success in communicating its message to landlords willing to forgo part of their rent and offer their properties through the agency’s affordable housing stream. While this was positive in terms of its social mission, it presented issues for the viability of the business model which required a particular balance of market rental and affordable properties.

The situation prompted the agency to recast its projections and also rethink its communication strategy. Its main marketing to date had been promotion through media interviews with Heather, who observes:

“People interviewing (me) are always more interested in the fact that a landlord would give (us) a property below market (rent). I’m always very careful to say it’s ok
the other way as well because the commission on market rentals subsidises the affordable rentals. But (the affordable rental is) what hooks people, that’s what they’re interested in.”

The interest gained from such promotion was not insignificant - in the days following an interview Heather did on Melbourne’s widely listened to ABC breakfast show the agency received nine offers of affordable properties. This “hook” may be something of a mixed blessing for HomeGround. The innovativeness of the model, and its attraction for property owners, is that it enables them to personally contribute to increasing supply of affordable housing for people who may otherwise be homeless. Yet its sustainability in the long term relies on its attracting sufficient market rental properties to subsidise the agency’s affordable housing provision, and so communicating the more nuanced message to owners that having the agency manage their property at market rate still helps to generate a social return.

There are other important points of difference between HomeGround’s market rental offering and that of other real estate agents. Heather notes that most real estate agents are incentivised to turn properties over for the re-letting fees; in contrast, HomeGround Real Estate encourages landlords to offer longer leases, thereby providing tenants with greater security of tenure. Further, Launch Housing actively seeks to work with landlords to improve the standards of their rental properties. As Cathy says, “Some friends of mine, we had one of their properties, and...the property was in not great repair. So our team said to them, you need to fix this, this and this so that people who move in have a decent place to live. And we’ve turned down some properties like rooming-house type properties that haven’t been up to standard...we wouldn’t even look at them. ...So this is also about people having some dignity about where they live.”

Unlike Europe, where long term leases are commonplace, the inability of Australia’s private rental market to offer security of tenure is one of the key factors limiting that sector from presenting a viable alternative to home ownership. Another factor is of course, affordability. A third is the standard of rental housing, much of which, particularly at the lower end of the market, is extremely poor (Victorian Council of Social Service 2010). In an overheated rental market and in the absence of regulation, there is no incentive for landlords to provide rental housing that meets a liveable standard. Its offer of socially responsible, well-maintained, secure rental housing even at a commercial rate could well be a selling point for HomeGround.

Heather feels very fortunate to have had the buffer of three years of considerable philanthropic funding to help the real estate agency find its feet. It has enabled the agency to focus on business development and also on internal growth, building a bigger staff team than may otherwise have been possible.
HomeGround Real Estate anticipates breaking even in 2017. Beyond that it aims to get to the “golden moment” of profitability and intend to reinvest surplus into rent subsidies to make its properties more affordable for low income tenants.

Launch Housing recently secured a class ruling from the ATO on the tax deductibility of "donations" under its affordable housing initiative. This ruling allows them to issue tax deductible receipts to landlords who offer rental properties at below market rent. HomeGround Real Estate will manage these properties and match them with lower income households.

The ATO ruling will potentially open up new opportunities but also new challenges. In terms of leveraging the tax system to expand provision of affordable housing the HomeGround Real Estate model is unique in the generosity of the tax concession it is able to offer to property owners. Under NRAS owners could claim a refundable tax offset for properties rented at a rate at least 20 per cent below market rate. HomeGround Real Estate enables owners to claim a tax concession for the difference between market rent and the affordable rental rate agreed with the agency, regardless of how low that rate is. So for example, an owner could offer a property at 50 per cent of market rate and claim the 50 per cent of rent forgone as a tax deduction. This “deeper” tax concession, and the fact it can continue for as long as the owner wants to keep the property with the agency, makes it a very attractive proposition.

Heather says the ATO ruling will assist HomeGround Real Estate to “really foreground (its) unique offer.” They have had advice that it will greatly appeal to the self-managed super fund cohort and to private ancillary funds who often have housing in their portfolios, with the subsequent potential of rapid expansion of the affordable housing initiative.

However, this would test the philosophy of the agency that each landlord that comes to HomeGround Real Estate does so “having thought about it”. It would also present a challenge in terms of the need to strike the right balance of affordable and commercial properties to make the business model effective.

What makes it work?

A condition of the realestate.com.au funding is that Launch Housing do its best to expand the real estate model nationally. At the time of writing they are very close to finalising a partnership in Sydney and are in discussions with an agency in Brisbane. They have also had conversations with stakeholders in Adelaide and Canberra.

This process has enabled Launch Housing to reflect on the key conditions for successfully replicating the model. At its core the effectiveness of the model relies on its management by an agency that understands homelessness and has the ability to work effectively with the cohorts of people in greatest need of social housing. In Heather’s words,
“What the general public is really concerned about is homelessness, and they ought to be. And that’s where you’ve got to start. It’s not that everyone we’re housing is that classic “street homeless” profile... but they all would have been or have been homeless without this type of intervention. From my years working in the sector, there are agencies that just aren’t interested in what they see as that “harder end”.

You have to have the support expertise and the expertise in matching people to properties so that you can... know that you have made a good assessment that this is going to be the right option for them. Because if you can do that you know that you can really dive a bit deeper into complexity rather than have to play it really safe. And (housing people who are really in need) is what the donors of properties (are) taking less rent for. That’s what they want.

There’s quite a few people in the community housing sector who almost want to be property developers. It’s a different mindset. I don’t know what they’re coming into the business for but it’s a different reason to what (we are) here for, which is very much that equity. Trying to make sure there’s a bit of housing justice going around.”

Notably Heather feels that this “homelessness cred” is more important to the integrity of the HomeGround Real Estate model than property management capacity, however it is important that an agency looking to adopt the model is able to collaborate with an agency that does have property management expertise. Heather doesn’t see this as a barrier – in her view, “agencies that have worked out how to do that work with homeless people will normally have good relationships with other agencies and be good at partnering.”

In Sydney the prospective host agency has both homelessness and property management experience but limited to a specific geographical area. The agency has decided it can accept offers of rental properties across Sydney and is moving closer to setting up as HomeGround Real Estate. Interestingly, in Adelaide it was government that approached Launch Housing. Heather cites this as an illustration of how a state government can proactively support innovation in the non-government sector.

Another important element is an appetite for risk. In this sense it is interesting to reflect on the diversity of conditions in which not-for-profits around the country operate and the extent to which HomeGround Real Estate is a creature of its context. It is the brainchild of an entrepreneurial leader recruited by an agency with a reputation for innovation and a board willing to take risks, established in a city with a strong culture of philanthropic support for social purpose initiatives. In Heather’s experience working to seed the model in other states, this is not the case everywhere. She has found the "paucity of agencies who are able to make a move on something" like the real estate agency something of a shock.

Given the differing capacities of these agencies and their operating environments, Heather feels it is important they have the ability to modify the model for their particular contexts.
“We want it to have fidelity to the original model, but not in a fanatical way. Certainly in a way that keeps the credibility of all concerned, but...the agency has to be able to adapt it sufficiently to make it work. It has to be really their thing.”

Launch Housing is in the process of exploring what their legal arrangements with the other states will look like. Heather acknowledges the project is too high risk for their usual practice of establishing a memorandum of understanding with partner agencies and that they will need a stronger legal structure. Although it could be an option, they are not considering a social franchise model – “the lawyer on our board shudders when I use the word franchise!” Rather the arrangement may more closely resemble a licencing of the HomeGround Real Estate name and approach. As Heather sees it the real estate agency is a “project” of Launch Housing and could similarly be a project of agencies in whichever other states have the capacity to take it on. “Then we could do national marketing very easily, we could use the same collateral, have the same website with different sections...there’s a lot of efficiencies in it”.

Where to from here

Launch Housing is at a key point in the growth of an exciting model that has the potential to be a game changer in provision of affordable housing in Australia. It is an intervention in a sector – the mainstream private rental market - that has historically been neglected by governments and policy makers as a setting for change, in spite of the fact that it constitutes nearly a third of the housing market.

In Heather’s view, the attraction of the model is twofold: it pays for itself, and it is scalable. As she says, “When you think of the energy we put into a building development that yields 50 or 60 units, and the board have had to decide they’re going to take on loans and debt, (with this) you don’t (in order to) get scale.”

A further attraction is the private ruling Launch Housing has managed to obtain from the ATO which gives it the ability to provide a more generous tax concession than other initiatives aimed at expanding stock of affordable housing.

In order to realise the potential of the model and to be sustainable once grant funding is exhausted, Launch Housing will need to find the balance of affordable and commercial housing needed to make the model pay for itself and over time make a profit that can be reinvested in its purpose. The challenge in this is that the “pull” of the model for the socially-minded property owners who are their target market is the ability to provide their property for rent to households in need of affordable housing, and to claim a tax deduction for doing so. Launch Housing may find they need to finesse their message to property owners that having the agency manage their properties at a commercial rate still serves a social purpose. It is necessary to subsidise the agency’s provision of affordable housing and, given their
philosophy of growing the stock of quality rental housing that offers security of tenure, helps to contribute to sustainable housing outcomes.

This emphasis on sustainability is key, and a reason why affordable housing initiatives driven by community housing agencies like Launch Housing are so important. With the policy focus on getting people into affordable housing, the imperative of keeping people housed may be lost. Decades of experience working with people who have been homeless or at risk of homelessness mean agencies like Launch Housing can identify those for whom a private rental tenancy is appropriate and provide them with the necessary support to make it tenable. This expertise is core to the HomeGround Real Estate model, as is a commitment to purpose – or, in Heather Holst’s words, making sure there is a bit of housing justice going around.

Rivkah Nissim, December 2016

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