THE CONSTELLATION PROJECT

TOWARDS ENDING HOMELESSNESS IN A GENERATION

Homelessness in
Australia

Access to safe and secure housing is one of the most basic human rights, yet every night in Australia 1 in 200 people are homeless and if you're young that number doubles to 1 in 100.

Homelessness isn't just rooflessness. People who sleep rough make up only 7% of the homeless population. It is people; living in severely overcrowded dwellings, couch surfing, sleeping in cars or living in housing that has no tenure.

The drivers of homelessness are known. They include the high costs of housing, financial stress, domestic violence along with a lack of access to appropriate dwellings.

It affects some of our community's members more than others. Aboriginal and Torres Strait Islander people experience homelessness at 10 times the rate of non-Indigenous Australians. Older Australians, particularly women, are the fastest growing group finding themselves without a home.

Homelessness places people at risk of poor physical and mental health, low educational attainment, poor employment outcomes, financial vulnerability and intergenerational disadvantage.

As well as causing human misery, homelessness is a drain on our economy. It costs taxpayers in lost human capital, productivity and avoidable expenditure on high cost services.

Modelling by PwC shows moving a person from crisis accommodation into secure housing will save $11,935 per year from reduced use of government services including health, welfare, police and prisons.

Every night, 1 in 200 Australians (116,000 people) are homeless*.

People who sleep rough make up only 7% of the homeless population.

What is: The Constellation Project?

The Constellation Project (TCP) is a growing network of organisations and individuals collaborating across sectors to drive action on homelessness in Australia.

Founded by Australian Red Cross, Centre for Social Impact, Mission Australia, and PwC Australia, TCP is focused on delivering practical solutions that are co-designed with people who have lived experience of homelessness.

James Toomey, CEO of Mission Australia said that the potential of the project was significant. "We are really excited to be part of this collaboration because we know that without all of the parties coming to the table to commit to the solutions we can't begin to solve the problem for the long-term."

Professor Kristy Muir, CEO of the Centre for Social Impact (CSI) considers TCP's systems change approach as fundamental to the collaboration. "It's CSI's mission that we create a better world, that we enable lasting social impact on the big social issues that are defining our time. Housing affordability and homelessness are without doubt at the top of that list. We know that people without safe, secure, affordable and appropriate housing will fare much, much worse, so there is a real urgency to get this right. The Constellation Project is about combining expertise and insights, and power to create meaningful change in this area. I'm thrilled that CSI is a part of it."

The Constellation Project is focused on three levers of change;

- **More Homes:** Create more safe, affordable, accessible, appropriate and secure homes for people at risk
- **Better Journeys:** Preventing entry into homelessness and accelerating journeys out of homelessness
- **Leading together:** TCP will not duplicate any of the great work already done, rather we will amplify existing efforts that change the system.

The voices of people with lived experience of homelessness sit at the centre of our work. Their insights are embedded at every level of The Constellation Project. We take a similar approach with the unique and urgent housing needs of Aboriginal and Torres Strait Islander peoples. We have a First Nations led workstream as well as advisory roles across all workstreams within The Constellation Project.

There is no shortage of research and policy papers on homelessness. We know why people find themselves without a home, and we know there are proven solutions to the problem. What we need is action.

Our Vision:
To end homelessness in a generation.

Leading Together

Amplifying existing efforts across sectors to change policy and practice

More Homes

Unlocking capital to generate more safe, affordable, accessible, appropriate, and secure homes for people in Australia who need them most

Better Journeys

Preventing journeys into homelessness and improving pathways out

We work across sectors and organisations to amplify our impact.

- We have a cross-sector TCP Network
- We value lived experience and First Nations voices
- We build on and contribute to the evidence base
- We use social labs to accelerate solutions
- We invest in the core to drive collaboration and action
- We pool funding and resources

Our Current Work
The social lab

A 'social lab' is an experimental, iterative and collaborative approach to solving complex social issues.

Our 'More Homes' social lab brought together a diverse group of people to address a specific challenge question: *By 2022, how do we make more than 100,000 homes available to people in Australia who need them most?*

In this context, 'homes' is defined as homes that are safe, affordable, accessible, appropriate, and secure; "people who need them most" are those on low to moderate incomes.

After the kick-off, a group of 40 dedicated people, supported by subject matter experts, formed five lab teams and volunteered 20% of their time.

The social lab enables teams to collate existing evidence, prototype and continually refine solutions, and find ways to implement them over several years. As teams progress, roadblocks are identified and teams find ways to adapt and overcome them.

Working in 3-4 month cycles of accelerated work, each cycle is an opportunity to build on the last one.

We have now completed the first cycle. The Cycle 1 wrap event was an opportunity to share and test solutions ahead of Cycle 2.
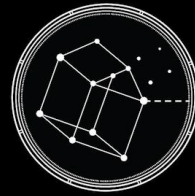
It isn't easy to ask people to give up their time and expertise to an emergent process. And there is understandable trepidation about using a social lab at this scale.

Embarking on this process takes trust and patience. The unfamiliar can be uncomfortable at times. But we are witnessing what we can achieve when we work together, think and act differently.

Throughout the lab cycles people with lived experience of homelessness help inform and strengthen the solutions.

THE CONSTELLATION PROJECT SOCIAL LAB CHALLENGE QUESTION:
BY 2022, HOW DO WE MAKE MORE THAN 100,000 HOMES* AVAILABLE TO PEOPLE IN AUSTRALIA WHO NEED° THEM MOST?

* HOMES= SAFE, AFFORDABLE, APPROPRIATE, ACCESSIBLE & SECURE HOMES
° NEED THEM MOST= PEOPLE ON LOW TO MODERATE INCOMES

Watch the
social lab
Wrap video
Here

Where the five lab teams landed

Fed/State Co-Funding Model

The Fed/State Co-Funding Model looks at how State and Federal governments can work to increase investment in social and affordable housing by working with Community Housing Providers (CHPs).

The team proposed a model for the construction of new social and affordable dwellings funded by the Federal Government, developed by CHPs on land provided by State Governments.

Mandatory Inclusionary Zoning

Mandatory Inclusionary Zoning (MIZ) allocates a proportion of residential developments as affordable housing dwellings via legislation/regulation and voluntary contributions driven by incentives.

The team developed two models to test whether a 10% MIZ would be financially viable for developers and operationally viable for CHPs.

Unlocking Private Capital

The Unlocking Private Capital team explored how institutional capital could be harnessed to increase private sector investment in affordable housing.

The team reviewed the superannuation sector and identified other private capital investment vehicles. They proposed a portfolio approach is required, including tax reform and an equity aggregator.

First Nations

The First Nations team looked at delivering socially integrated and culturally appropriate housing solutions for Aboriginal and Torres Strait Islander People.

The team built five models across urban, remote and rural geographies that unlock Aboriginal owned land. Each model partners with local housing providers, CHPs and various private investment vehicles to increase Aboriginal owned and managed housing stock.

Connecting Supply and Demand

The Connecting Supply and Demand team examined how to unlock the supply of vacant dwellings and connect them with people on low to moderate incomes who need housing.

The team created a draft model in which small investors will work with commercial lenders to supply their housing to renters within an affordable range.

Federal/State Co-funding

The problem scope

Over a number of years, successive governments have underinvested in social and affordable housing. In Tasmania, there are over 3,000 applicants waiting for public housing and less than half of private rentals are affordable for people on minimum wage. (Anglicare 2019)

State and Federal Governments could increase investment in social and affordable housing by working with Community Housing Providers (CHPs) to optimise potential housing delivery and management.

How we approached it

The team explored existing Commonwealth Government schemes and worked on the premise that State Governments had access to underutilised land. A model is proposed for the construction of new social and affordable dwellings across Australia by CHPs that allows for:

1. Federal Government funding for construction provided through NHFIC and other grants and/or subsidies.
2. Contributions of land and other resources by State Governments
3. CHPs as developers and managers

The output from Cycle 1

A draft working model was produced to understand key levers that will increase the amount of new social and affordable housing. The model is based on existing work done by City Futures and incorporates the following key levers:

1. Construction costs including State Government contribution of land, modular vs. traditional construction costs and different engagement models for developers
2. Revenue models incorporating rental subsidies and balancing low and higher yielding affordable housing
3. Capital models including an ability to a) sell a percentage of housing to create a capital cross subsidy and b) introduce investors to a Build to Rent model to enhance yield.

By combining these levers, Commonwealth capital could be leveraged to significantly increase the housing delivered.

What next?

The team proposes that next steps are to:

- develop the model into a working prototype to be tested via a consultation process. This will collaboratively refine cost and volume assumptions with specialists including PwC, housing researchers and CEO/CFOs of Community Housing Providers.
- Discuss with State Governments the opportunity to test and potentially pilot the work and engage the Commonwealth Government to discuss the concept.

Mandatory Inclusionary Zoning

The problem scope

Mandatory Inclusionary Zoning (MIZ) is a planning tool that allocates a proportion of residential developments as affordable housing dwellings. It can be implemented through legislation/regulation (e.g. proportion of affordable dwellings) as well as voluntary contributions driven by incentives (e.g. density bonuses).

Inclusionary Zoning has potential to deliver a permanent and scalable housing solution that is based on creating a sustainable private market.

This team focused on testing a hypothesis that MIZ would be a solution that would increase the pipeline of SAAAS* homes and be viable.

How we approached it

The MIZ team spent the first three week sprint researching MIZ, collecting evidence and available information focusing particularly on examples of successful implementation in Australia. In the second and third sprints, the MIZ team focused on developing two models (feasibility and operating) that would test the **financial viability** of the solution from the perspective of:

- Developers
- Community Housing Providers

These models could help build the case for MIZ as a viable solution.

Equally important is recognising the height density required for financial viability. The financial models therefore outline whether MIZ will have **planning viability** from the perspective of local governments.

The output from Cycle 1

Two prototypes were produced:

1. Developer feasibility model
2. Community Housing Provider operating model

These models demonstrate that a 10% Mandatory Inclusionary Zoning requirement can be financially viable for developers and Community Housing Providers. The models could be used and tailored for any new development to inform stakeholders ahead of policy, planning and investment decisions. They would help build the case for MIZ policy changes that can ultimately increase the pipeline of SAAAS* housing over time.

What next?

The feasibility models are working prototypes that need to be refined in consultation with others and tested further during implementation. The team proposes that the next steps are to:

1.Test the technical integrity of the feasibility model

2.Test and refine the feasibility and operating models with:

- Governments
- Local Governments
- Developers
- Community Housing Providers

3. Ensure feedback from and engagement with people with lived experience of homelessness is incorporated

4.Test through implementation on new development sites in collaboration with Local Government Areas.

*SAAAS = Safe, Affordable, Appropriate, Accessible and Secure

Unlocking Private Capital

The problem scope

Australia has an urgent problem; a need for more than 300,000 new affordable rental properties over the next 20 years to address rising homelessness and rental stress (Anglicare).

At the same time, the Australian property industry is facing a downturn not seen in 30 years, leaving the construction industry and the wider economy vulnerable.

There is growing private sector appetite for Build-to-Rent developments and Impact Investment models. The Australian impact investing market is growing exponentially with $5.8billion invested as at 31st December 2017. (RIAA)

To address the urgent need for affordable housing in Australia, we need to support new public sector levers that will unlock and amplify the impact of private capital.

How we approached it

The team reviewed the evidence and research base to:

- Identify affordable housing funding elements
- Understand the landscape of the Australian Superannuation sector
- Identify key risk and return assumptions
- Identify private capital investment vehicles

In parallel, the team liaised with other project streams to identify funding levers from the public sector that are necessary to unlock any private capital. Research clearly shows that in every country where affordable rental has attracted private capital, a government co-investment came first.

The team developed a prototype for a portfolio approach to use public policy levers and private sector funding paths to stimulate growth in affordable housing to meet current and future demand.

The output from Cycle 1

A portfolio approach is required to unlock private capital and drive investment, comprising some existing measures and mechanisms that are yet to be created including;

- Public sector levers such as tax reform, a new equity aggregator and mandatory inclusionary zoning
- Private capital funding paths including direct investment, leveraging through debt/equity aggregators.

This combination could create funding flows of private capital including institutional investors, to developers and to community housing providers (CHPs) as managers of new housing infrastructure.

What next?

The team proposes that the next steps are to:

- Test and develop a proposal for the structure and creation of an Equity Aggregator. The missing link for unlocking private capital
- Engage with institutional investors as key stakeholders on the need for a credible government program of subsidy to unlock their investment
- Identify viability of a stapled structure for sovereign wealth fund investment
- Demonstrate potential volume of investment to be unlocked.

Housing Model for First Nations

The problem scope

Aboriginal and Torre Strait Islander people are disproportionately represented in homelessness figures. The team concluded a key element of the solution had to be housing that is Aboriginal owned and managed.

How we approached it

The team spent the first sprint analysing the current housing landscape for First Nations People and collected insights from different housing models that demonstrated various degrees of success.

They then identified data gaps that were required to inform the work moving forward.

In the second sprint, the team examined insights from the research. This resulted in the development of five housing approaches that covered regional, urban and remote geographies.

The team then drew on their individual experience, expertise and networks to develop a business case for each approach.

The work created by this team was guided by four core principles that prioritised their efforts;

- where there are existing networks and relationships
- demand driven - areas with a high % of A&TSI
- A&TSI authority for land (where and how it is easy to access)
- readiness (capacity, mindset and policy)

The output from Cycle 1

The team developed four potential models that unlock Aboriginal owned land. Each model would rely on a partnership with local housing providers, CHPs and various private investment vehicles to increase Aboriginal owned and managed housing stock.

The models include;

- Elders village (Remote SA/NT)
- Aboriginal Housing Office Collaboration (Urban City NSW)
- Unlocking Native Land (Urban and remote WA)
- Aboriginal Housing Victoria (Urban City)

The team have also been working with data specialists to map housing need via population as well as cultural requirements and demand.

What next?

The team proposes the following next steps:

- the housing models being further developed with a focus on the Elder village in SA/NT and the Aboriginal Housing Office Collaboration in NSW, including stakeholder mapping, community consultation and engagement
- a data tool to be designed to establish a mandate for Aboriginal and Torres Strait Islander housing needs across The Constellation Project
- they will join a consultation group to engage with the other lab teams and provide access to the specialist expertise held within this First Nations team.

Connecting Supply & Demand

The problem scope

There are approximately ten million dwellings in Australia and one million of these are sitting vacant. (ABS) Some of these properties could be made available to low to moderate income earners who are seeking affordable housing. But there are currently insufficient incentives for property owners to make these houses available to this group.

How we approached it

In the first sprint the team developed three hypothesis to test at the first review. They decided to move forward with one, a technology platform that would make it easier to connect under utilised housing with individuals looking for affordable housing options.

During the second sprint the team explored a wide range of existing research and tested the viability and impact of the tech platform. In doing so, they realised they need to shift their focus to the private market of homeowners.

The team worked to understand how to connect financial institutions, investors, tenants, housing providers and the community, to incentivise private home owners to build or release existing properties into the affordable rental market.

The output from Cycle 1

The team created a draft program where small private investors would be provided a financial incentive by commercial lenders to supply their housing to renters within an affordable range.

This program engages financial institutions that would receive an acceptable ROI and positive social impact. The model encourages private investors through a financial incentive to unlock housing for people on low to moderate incomes.

This program would be enabled by a technology platform that would connect the key parties together.

What next?

The team proposes the following next steps to progres the prototype.

1. Develop the lender product model and test more broadly to establish feasibility and the potential market for this program
2. Phase one and two of platform development - build website with financial tools, scope out requirements for matching platform and determine if the team can leverage (buy) or build
3. Source a media agency to partner with and develop a community education and marketing campaign.
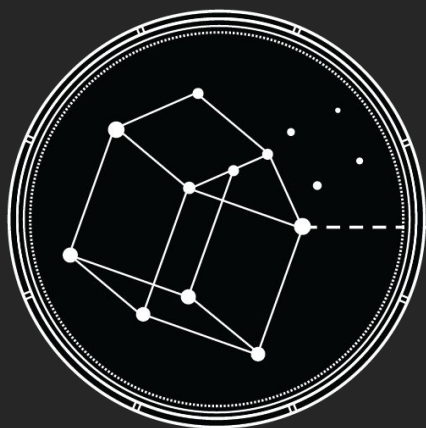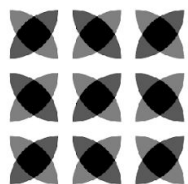
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the **power**of humanity   AUSTRALIAN RED CROSS   **CENTRE** *for* **SOCIAL IMPACT**   **MISSION AUSTRALIA**   *pwc*