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INNOVATIVE PROGRAMS TO REDUCE HOMELESSNESS AND HOUSING STRESS FOR LOW INCOME FAMILIES – UNITED KINGDOM, UNITED STATES AND CANADA

Felicity Horrocks
Horrocks Consulting
felicityhorrocks@gmail.com

THE WINSTON CHURCHILL MEMORIAL TRUST OF AUSTRALIA

Report by – FELICITY HORROCKS – 2015 Churchill Fellow

THE DEPARTMENT OF CHILD PROTECTION AND FAMILY SERVICES CHURCHILL FELLOWSHIP to examine innovative programs to reduce homelessness and housing stress for low income families in the United Kingdom, United States and Canada.

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Signed: **Dated:**

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1. INTRODUCTION

During September and October 2015 I travelled to the United Kingdom, United States of America and Canada to examine innovative programs being successfully used in countries to increase the supply of affordable housing targeted towards low to moderate income earners and how these could be developed and implemented in Australia. The focus was on programs that used partnerships between the private, non-government and Government sectors to develop and fund affordable housing programs. In examining these programs I looked at the key success factors, tipping points and new ways of working in relation to their importance on programs that were working in other countries.


Figure 1: McPherson Place, Calgary

I was privileged to spend time with many dedicated people in the public, private and not-for-profit sectors that were instrumental in getting more affordable housing for people on lower incomes. I thank these busy people for spending their time with me and providing their wisdom on such an important topic.


Figure 2: The Lodge at St Ursula's UK

I sincerely thank the Western Australian Department of Child Protection and Family Services for sponsoring my Churchill Fellowship.

The importance of looking for new ways to increase access and supply to affordable housing for low to moderate income earners cannot be understated. Since 2006 in all major Australian capital cities has experienced a significant increase in median house and rental prices. There are estimates that by 2020 there will be an affordable housing gap of over 500,000 dwellings in Australia[1]. Homelessness is rising with one of the primary reasons is the chronic shortage of affordable and available rental housing.

Affordable, safe, secure and stable housing is a basic building block for supporting families and a foundation for community cohesiveness. I hope this report demonstrates the need for greater dialogue and urgency of action in Australia to ensure that we all have the ability to access affordable 'homes'.

[1] Source: National Housing Supply Council

2. EXECUTIVE SUMMARY

Australia needs concentrated action, using the collective wisdom and power of partnerships between governments', not-for-profit organsations (NFP) and the private sector, to increase access and supply to affordable housing for low-to-moderate income earners. Each city I visited provided a number of key learnings for governments, NGOs and the private sector in regards to developing innovative partnerships for successful and sustainable affordable housing programs. The key strategic learnings of my Churchill Fellowship include:

- Political vision and long-term commitment to affordable housing underpin the most successful partnership programs.
- A planned legislative approach that provides a robust structure for innovative programs that focus on leveraging the strengths of all sectors.
- Central government agencies putting in place 'innovation' teams that guide the public service towards engaging more effectively with the NFP and private sector and designing interventions to use the expertise of these sectors.
- Different layers of government providing complementary policy and program approaches. Partnerships are enhanced when the NFP and private sector can work with one government agency when participating in affordable housing programs with consistent policies, program design and personnel.
- Government has a crucial role in using policy levers as a catalyst for partnership approaches to affordable housing development.
- Successful interventions between the private sector and governments' are often enhanced by the use of an expert intermediary (usually an NFP entity) with expertise in the social, financial and housing sectors.
- Programs must recognise the inherent value of each partner in the process. Innovation is easily and more readily translated into programs when each partner can contribute to the design and there is the ability to debate and discuss key aspects.
- Inspiration and solutions can come from the community and broader NFP sector which can influence Government policy development and have a significant impact on financing of affordable housing programs.
- Private sector entrepreneurs can be agents of social change and have demonstrated that they can develop affordable housing for key workers through innovative mechanisms and personal risk.

There are a number of exciting programs that have emerged in the UK, US and Canada that warrant further investigation in the Australian setting including:

- A Housing First approach that has seen the development of social impact investing into affordable housing supply to provide homes to those experiencing chronic or episodic homelessness. Realising cost savings interventions to public and private funders, and taxpayers, is critical.
- The RESOLVE Campaign, a highly successful collaboration between nine NFP housing agencies to increase supply of affordable housing to end homelessness in Calgary.
- Use of different government legislative and policy tools that use cost-effective ways to leverage funding through the private and NFP sectors into affordable housing development.

I will promote my findings to key government, NFP and private sector organisations, with the intent of garnering support for new ways to develop partnerships to increase access and supply to affordable housing.

3. PROGRAMME

LONDON, UNITED KINGDOM

Organisation	Representative/s
Greater London Authority	Mr Jonathon Qureshi Mr Dominic Curran
Big Society Capital	Mr Alex Goodenough
	Ms Anna Shiel
UK Treasury	Ms Tamsyn Roberts
	Mr Ed Evans
Thames Reach	Ms Catherine Parsons
	Ms Mesorina Beqiri
Affinity Sutton	Ms Elanor Warwick
Resonance UK	Mr Simon Chisholm
National Housing Federation	Ms Gill Payne
	Mr Dave Smith
Social Finance UK	Mr Tim Rothery
Housing Finance Corporation	Piers Williamson
St Mungos Broadway	Mr Peter Coley
	Mr Mike McCall
	Mr Ralf Vergeldt
C2O Futureplanners	Mr Stephen Hill
Pocket	Rebecca Weissbort

BOSTON, UNITED STATES

Organisation	Representative/s
Dudley Street Neighbourhood Initiative	Mr Juan Leyton
	Ms Eliza Parrad
Massachusetts Housing and Shelter Alliance	Mr Joe Finn
	Mr Tom Brighton
Boston Metropolitan Housing Partnership	Mr Chris Norris
	Ms Kate Fulton

CALGARY, CANADA

Organisation	Representative/s
RESOLVE	Ms Amy Hurst
The Mustard Seed Affordable Housing Project	Ms Alma Fourie
Calgary Homeless Foundation	Mr Matt Vermunt
Canada Housing and Mortgage Corporation	Ms Mary-Ann Krahulic
Hoad Consulting	Ms Judy Hoad
New Urban Development Inc	Mr Dan Van Leeuwen

4. MAIN BODY

During my travel I came across many different elements that contributed to a healthy and dynamic market supporting an expanding affordable housing supply. In examining many forms of partnerships across the three different countries there were a number of conclusions that could be made about how to support successful partnerships to increase supply of affordable housing. In explaining this in more detail I have endeavoured to place the most relevant and exciting elements into themes based on:

- Key political leadership;
- Role of governments';
- NFP Innovation;
- Community-led initiatives; and
- Private sector entrepreneurs.

Under each of these themes I have provided case studies to provide further guidance and information on how affordable housing partnerships are working across the world. The case studies contain relevant details, however explaining the intricate workings of government policies and programs are beyond the scope of this report.

Lastly, the term affordable housing is used as an umbrella term in this report. It is intended to cover all housing that needs subsidisation of some kind and is targeted towards very low, low and moderate income households. It covers rental housing and home ownership opportunities.

4.1 London, United Kingdom

London is a dynamic city with a population of over 8 million people. It has many challenges in regards to access and supply of housing for low to moderate income earners. It is a long-term problem with London grappling for decades on how to keep London housing affordable for low to moderate income earners. Homelessness is growing with over 7,581 people sleeping rough in London[2]. Over 45,000 households are in temporary accommodation (for example bed and breakfasts)[3] costing local authorities in London £393 million in 2014 with an additional £73 million required for emergency accommodation. There are over 255,729 households on the council housing waiting lists. One of the key issues impacting the growing level of homelessness is the significant cost of rent in London which was £1,507 per month in 2014[4].

It is these telling statistics that has pushed all sectors in London to look for alternative ways to address the affordable housing issue. With 'necessity being the mother of all invention', the government, non-government and private sectors have been working together for over 20 years, pushing each other to find innovative and collaborative ways to keep tackling this insidious issue that is continuing to effect more diverse households wanting to make London their home.

[2] Source: CHAIN annual figure
[3] Source: Statutory Homeless Figures
[4] Source: Bernard Marcus Report 2015

Key Political Leadership

One of the key success factors driving innovation and change in the affordable housing arena at the broadest level is that increasing supply is politicised. Over the past 20 years, Prime Ministers of the United Kingdom have been integral in working towards improving housing supply to lower income earners. This focus has created a pipeline of private sector funding through different financial instruments within the European sector, created a viable and essential role for the NFP sector in building social and affordable housing and implemented policy settings that are a direct catalyst to increasing affordable housing supply. The high level political leadership has smoothed a pathway for collaboration between different sectors and engendered a level of confidence regarding innovation in program design and delivery.

The issue of housing affordability is also given prominence in election campaigns. The topic of demand and supply is examined and debated with political parties announcing different policy measures they would introduce if elected. These debates and policies garner significant media coverage and are hot topics when it comes to voting. During the 2015 UK General Elections there was good coverage about affordable housing issues with policy prominence given by political parties. The successful Conservative party campaigned on the ‘Right to Buy scheme for housing associations while other parties made commitments to provide up to 500,000 social homes for rent by 2020 and release land for the purposes of affordable housing development.

In addition, during the lead-up to the London Mayoral election, there was significant coverage about the rising cost of house-buying and renting and shortage in social housing. With the politics and policies surrounding affordable housing being discussed prominently in the newspaper and TV, there is a knock-on effect that there is a more significant level of interest from a broader cross-section of Londoners, leading to a greater likelihood in cross sector collaboration and ownership.

Community-Led Initiatives

London is a city that is talking about how to address its housing needs – it is not just the government policy-makers, NFP organisations and investors that earn a living from the housing shortage that are trying to concoct new ways to get more affordable housing to those most in need. Nor is it just those struggling to pay the rent or experiencing homelessness - it is a subject that is talked about in the newspapers, debated in politics and warrants a conversation at the pub or at the watercooler. The attention given to finding a way to increase affordable housing for lower income earners is a shared aspiration by most Londoners and therefore a shared problem.

Role of Governments

Governments’ have an important role in supporting innovative approaches to affordable housing. This role can encompass a wide range of elements from direct grant funding, fiscal and monetary policy settings, risk management, regulatory settings, legislation and other capital funding arrangements.

The UK Government is leading the charge for more innovative programs to be introduced that use partnership approaches to tackle social issues, including expanding the supply of affordable housing. The UK Cabinet Office, over the past 15 years, has been pushing for innovation to development partnership approaches to tackling social issues. A key focus has been on developing a fertile environment for social impact investing to tackle a broad range of issues.

The UK Cabinet Office has been integral in providing a supportive strategic, policy and regulatory environment in which to launch a broad range of social investment opportunities. This leadership has been critical to providing confidence to all stakeholders to engage in new ways of funding social programs. The central agency approach to building an enabling environment for partnerships has been crucial to ensuring all government agencies are engaged in this new way of doing business.

The UK Government leading from the 'front' approach is multifaceted. A list of key 'ingredients' that has influenced, shaped and promoted social innovation include:

- Futurebuilders (Social Investment Business) 2004 – A government fund aimed at strengthening the social sectors role in public service delivery. This £125 million fund was the first real evidence of Government commitment to developing a market where loan financing, combined with grants and professional support to help social sector organisations bid for, win and deliver public services.
- The Dormant Bank and Building Society Accounts Act 2008 – This Act allowed a Reclaim Fund established by the government to collect and redistribute unclaimed bank and building society accounts. The Dormant Accounts bill was drafted with specific reference to the possibility of using unclaimed assets for the establishment of a social investment wholesaler that would exist to enable bodies to give financial or other support to third sector organisations.
- Department for Works and Pensions (DWP) Innovation Fund 2011 – The DWP Innovation Fund provided £30 million in funding over 3 years to support and test payment-by-result programmes for disadvantaged young people. The fund tested the range of social investment and innovative delivery models established including the single investor model, the intermediary model and the multiple investor special purposes vehicle model. It was an important move by government that has informed future policy decisions.
- Big Society Capital 2012 – Big Society Capital is a social wholesale investment bank established by the Cabinet Office in response to the recommendation from the Commission on Unclaimed Assets in 2007 that pointed to the urgent need for greater investment and professional support in the third sector and for suitable capital for social organisations at all stages of development. Big Society Capital has built confidence though its scale and role as a permanent independent organisation and has provided strategic direction.
- Social Outcomes Fund 2012 – This is £20 million of government money managed by the Cabinet Office to create an increased incentive for government commissioned social ventures to address complex social issues by effectively addressing the issue of siloed commissioning processes. It bridges the gap between government procurement of public services delivery and social sector providers and drives up demand for social organisations in commissioning.
- Commissioning Academy 2012 – The Academy is a training program focussing on innovation for senior leaders from all parts of the public sector. This training has a specific focus on improving practices related to key elements of social investment.

> Big Society Capital Limited (BSC) is the world's first ever social investment institution of its kind, launched as an independent organisation with a £600m investment fund in April 2012. The investment fund came from dormant bank accounts via an independent Reclaim Fund and leading four UK high street banks. To date, BSC has invested in social investment financial intermediaries to increase access to affordable housing through the Resonance Affordable Homes Rental Fund, Real Lettings property Fund and Local Solutions Supporting Homeless Young People.

- Social Value Act 2012 – The Public Services (Social Value) Act is designed to open up more opportunities for social enterprises to win bids for the delivery of public services.
- Social Investment Tax Relief 2014 – The Social Investment Tax Relief will address the gap in the tax system for incentivising risk capital for small social sector organisations. The Relief has the potential to provide up to £480 million of new capital to small social organisations primarily in the form of unsecured lending.
- UK Social Bond Fund 2014 – The aim of the Fund is to balance financial returns with positive social outcomes. This Fund unlocks the potential of bonds to target particular social outcomes as well as generate reasonable financial returns in line with UK corporate bonds. It is a mainstream investment product with daily liquidity that can appeal to a broad range of institutional and retail investor base.

This 'scaffolding' approach has led to an environment that supports social investment. Whilst this is not exclusive to increasing the supply of affordable housing, it has provided a foundation to support new investment into affordable housing. The UK Government has provided a robust framework to ensure that the not-for-profit and investment sectors can invest in social outcomes. This is a key success factor in creating innovative programs that can use partnerships.

Social impact investments are those that intentionally target specific social objectives along with a financial return and measure the achievement of both. Social impact investing provides another avenue to find ways to finance affordable housing options. Each investment relies on a supply of verified and sustainable data to accurately and efficiently measure outcomes. Key elements of impact investing include:

- Evidenced based measurement
- Outcomes focussed, rather than outputs
- Financial and social risk sharing between government, NFP and private sector.
- Access to working capital which is hard to access for social outcomes.
- Need for collaboration between and within the three sectors.
- Encourages innovative thinking about entrenched social issues.

In applying social impact investment to the issue of increasing the supply of housing, it is observed they are the 'swiss army knife' of investment. In exploring this further, there are different combinations that can be used depending on the housing outcome required. Big Society Capital developed the 'Potential Social Investment Solutions' in Figure 3 to outline the different ways and various combinations of social investment vehicles that can be used to increase supply of housing. It provides examples of the different approaches used, thus demonstrating the flexibility that this form of partnership can have in tackling the affordable housing issue.

POTENTIAL SOCIAL INVESTMENT SOLUTIONS

	Charity Raises Investment Directly	Investment via Another Vehicle

Capital for Property	• Charity bonds *(e.g. RCB, Triodos)*
	  • Individual issues
	  • Possible aggregator
	• Traditional secured loans
	  • Social banks *(e.g. Charity Bank, Unity Trust)*
		• Social property fund *(e.g. Cheyne)*
		  • Multiple charities
		  • Targets several beneficiaries
		• Dedicated property vehicle for:
		  • Specific charity *(e.g. Real Lettings)*
		  • Specific beneficiary/intervention *(e.g. Commonweal)*

Capital for New Revenues	• Unsecured loans*
	  • *(e.g. FSE / MySpace)*
	• Equity-like: social venture funds*
	  • *(e.g. Impact Ventures / Homes for Good)*
	• Crowdfunding*
	  • *(e.g. community shares in CLTs)*
		• Social impact bonds
		  • *(e.g. Home Group/Fair Chance Fund)*

Unlikely to be a single solution for all
We believe organisations should have access to a range and combination of options that best meet their requirements and circumstances

Figure 3: Potential Social Investment Solutions for Increasing Supply of Affordable Housing

Case Study: Real Lettings Property Fund

The Real Lettings Property Fund (RLPF) is a social impact investment fund, designed to provide both a commercial return to investors as well as achieve significant social impact in the area of homelessness.

RLPF was developed by social investment company Resonance and homelessness charity St Mungo's Broadway in response to a growing failure in the rental housing market resulting in rising numbers of people at risk of being homeless in London. It is a residential property fund which acquires one and two bedroom flats across Greater London, leasing them to St Mungo's Broadway to make available (through its social lettings agency, Real Lettings) to homeless families and individuals who are ready for independent living but struggle to access privately rented accommodation.

Resonance is a social impact investment company with over a decade of experience of working closely with social enterprises throughout the UK. Resonance help social enterprises prepare for and raise capital from investors who value both their impact ambition and their business model.

St Mungos Broadway Real Lettings is a social lettings agency set up in 2005. Real Lettings works closely with tenants, providing a system of support that is complemented by coaching to help them improve their independence, maintain their tenancies and develop the skills they need for a planned move into independent-living.

As a social enterprise within a homelessness charity, Real Lettings has the information and experience necessary to assess which tenants are ready for this step, and to provide transitional help and ongoing "light touch" support and monitoring , giving tenants a sense of responsibility for their home and leading to extremely high success rates for tenancies.

In the two and a half years since the Real Lettings Property Fund (RLFP) was launched approximately:

- 270 homes have been acquired or are in the process of being bought;
- 190 properties have already been handed over to social lettings agency, Real Lettings;
- 30 are being refurbished; and
- 430 people have moved into a home with a secure tenancy.

The RLPF was launched in 2013 and finished raising investment at a total of £56.8 million. Investors have included L&Q, Big Society Capital, City of London, Esmee Fairbairn, Lankelly Chase, Croydon Council, Trust for London and a number of private individual investors. The RLPF has a net target return of 6% overall achieved through a combination of rental income and capital appreciation, although this is not guaranteed. From year three investors start to receive an interest return through the rental income, targeted to be 3% per annum. Any capital appreciation will likely be realised in the final two years of the Fund, given that the structure of the fund is based on 5 year rental agreement periods. After the initial seven year term there is an option for extension of the Fund by up to 2 year periods assuming agreement.

At the end of the investment the preferred exit route for the fund is the development of a second fund which will scale up from current £60million to over £100million. The planned increase in size of the fund has already attracted interest from potential large scale investors, such as pension funds, once a track record has been established.

Case Study: London Homelessness Social Impact Bond (SIB)

An increasingly common form of social impact investing is the social investment bond which is a form of outcomes-based contract in which public sector commissioners commit to pay for significant improvement in social outcomes (for example, reducing homelessness) for a defined population. Private investment is used to pay for interventions, which are delivered by service providers with a proven track record. Financial returns to investors are made by the public sector on the basis of improved social outcomes. If outcomes do not improve then investors do not recover their investment[5].

The London Homelessness SIB, commissioned by the Greater London Authority (GLA) with funding from the Department for Communities and Local Government, began operations in November 2012. It was designed to bring in additional finance and new ways of working to support innovative services aimed at improving outcomes for a fixed cohort of 830 named persistent rough sleepers identified through the Combined Homelessness and Information (CHAIN) database.

The GLA commissioned homelessness charities St Mungo's Broadway and Thames Reach to deliver the services. The two providers developed different structures to finance their SIB contracts. St Mungo's Broadway established a Special Purpose

CHAIN is multi-agency database recording information about rough sleepers and the wider street population in London. CHAIN allows users to share information about work done with rough sleepers and about their needs, ensuring that they receive the most appropriate support and that efforts are not duplicated. Reports from the system are used at an operational level by commissioning bodies to monitor the effectiveness of their services, and at a more strategic level by policy makers to gather intelligence about trends within the rough sleeping population and to identify emerging needs.

[5] Source: Social Finance UK at www.socialfinance.org.uk/work/sibs

Vehicle (SPV), which holds the risk (a common feature of SIBs). Thames Reach has funded their intervention through social investors' unsecured loans, and in this model the risk is shared (a less common structure). Both providers have also invested their own equity. The level of funding across the two contracts is capped at £5 million.

Social investors, including CAF Venturesome, Big Issue Invest and the Orp Foundation, are providing the up-front funding. Investors will receive a return on their investment, in the form of outcomes payments from the GLA, only once specific outcomes are achieved.

The outcomes for which payments are made are as follows:

- rough sleeping reduced below a baseline.
- part time employment sustained for 13 weeks and 26 weeks/full time employment sustained for 13 weeks and 26 weeks/volunteering secured/National Qualification Framework Level 2 or equivalent secured
- accommodation secured and sustained for 12 and 18 months
- reconnections abroad made and sustained for six months
- Accident and Emergency episodes reduced below a baseline.

Basing the project on outcomes rather than a detailed service specification enabled the service providers to develop innovative proposals for the services at the procurement stage. It has also given the service providers the flexibility to innovate during the course of the project, shaping their services and structures as necessary to meet the needs of their clients and allowing them to continuously adapt what they do in the light of their learning and experience. In addition, there has been extremely positive feedback from the sector on the wider positive impacts that the SIB approach has had on service delivery for rough sleepers more widely.

With the three year SIB coming to a close, initial suggestions are that a reasonable level of the outcomes are being met and that investors in this SIB will receive a satisfactory return.

> Thames Reaches experience with the SIB has enabled the development of a new range of effective partnerships in the housing area. Because of the need to help people find settled accommodation quickly and easily, at an early stage Thames Reach developed a relationship with Vision Housing to access good quality accommodation with reasonable rents. A financial arrangement with Vision Housing was put in place to ensure that Thames Reach could have priority access to housing and it was also agreed an additional payment to Vision Housing at the point when the person had achieved the year milestone.

NFP Innovation

The NFP sector in London is a potent mix of large scale players that have significant capacity in a broad range of areas that impact on increasing access and supply of affordable housing. The NFP sector, whether it be homelessness charities, developers and managers of low cost rental housing, financial intermediaries or a hybrid of all, have built a reputation for working in partnership with government, the private sector and cross NFP collaboration to maximise opportunities and continue to build an economy of scale in improve affordable housing outcomes.

Case Study: Housing Associations

Housing Associations (HA) are among the most effective private-public partnerships in England's history. They are the leading provider of low cost rental housing across the UK and also offer the chance to gain access to home ownership and provide other neighbourhood and community services.

For every £1 invested by government, HA put in over £6 of their own money. They have secured £76bn in private investment since the Conservative Government's landmark Housing Act in 1988 which has allowed them to deliver desperately needed homes in every part of the country, across every tenure, and add £13.9 billion to Britain's economy every year.

The largest 15 Housing Associations in London own and manage 539,873 homes, have borrowings worth £15.4billion, have developed 95,794 homes in the last 10 years and have a development pipeline over the next 5 years of 72,271 homes worth £17 billion.

The genesis of large-scale HAs lies in the passing of the Housing Act 1988 and associated key bipartisan supported decisions made by Government during the 1980s to forge a highly successful public-private partnership. They include:

- Policies supporting Large Scale Voluntary Stock Transfer (LSVT) from local governments to HAs.
- Introducing legislation to regulate the HA to provide confidence for private sector investors to develop new housing stock. The Housing Act 1988 laid the foundations for present practice by allowing lenders to take a first charge against HA properties that rank ahead of public grant. It also allowed payment of rent via Housing Benefit.

From humble beginnings in the 1980, Housing Associations have continued to be supported by the UK Government through different financial schemes including grants, loans, financial instruments and significant stock transfers. Approximately 60% of HA housing stock has been built using various public grants and about two-thirds of a HAs current income comes from subsidies for rent (HAs still derive approximately 79% of their income from rents) and care and support services.

Housing associations invest their surpluses back into building homes and other key services, along with using commercial activity to fund properties for people on very low incomes to rent. The sector currently borrows almost £6bn of private finance each year to deliver homes up and down the country

One of the key elements that exists in the UK to assist the high level of capital investment in HA and affordable housing stock is The Housing Finance Corporation (THFC). The THFC is an independent, specialist, not-for-profit organisation that makes loans to regulated Housing Associations that provide affordable housing throughout the United Kingdom. THFC was set up in 1987 by a partnership between the public authority, the Housing Corporation and the National Housing Federation. THFC funds itself through the issue of bonds to private investors and by borrowing from banks. The THFC has been responsible for the injection of approximately £1.5 billion into social and affordable housing.

The UK Government, in 2013, introduced the Affordable Housing Guarantee Scheme. The Scheme was designed to allow HAs access to cost effective funding so as to act as a stimulus in the building of affordable housing. The UK Government guarantees the loan repayment, therefore derisking the investment and creating very cost efficient borrowings. The THFC, through its subsidiary, Affordable Housing Finance, was contracted by the UK Government to deliver the scheme. AHF makes loans to registered Housing Association borrowers and funds itself through the issue of bonds and by borrowing from the European Investment Bank. AHF's obligations under the terms of its financings and the obligations of its borrowers are guaranteed by the Government.

Private Sector Entrepreneurs
The private sector usually responds to an emerging opportunity in the market created through positive changes in Government legislation and policy. In London this is happening - there are a growing number of entrepreneurs in London that are proactively working towards provision of affordable housing. Many are driven by a social conscious and the need to provide opportunity for future generations of city-makers in London. The agglomeration effect is in full swing in London and this is building a level of expertise in the private sector to get a social bang and a reasonable buck.

Figure 4: Pocket home plan

Case Study: Pocket Homes
One of the new breeds of private sector champions for affordable housing is Pocket. Pocket is an apartment building company selling well-designed, local and affordable homes so city-makers. Founded in 2006, Pocket has to date completed five new-build developments containing 124 one-bedroom properties. The company has 480 units in the pipeline due to be completed by the end of 2017.

Pocket's compact one-bedroom houses are targeted at young middle-earning Londoners who live or work in the borough, have never purchased property, and earn less than £71,000 per annum. This is London's "squeezed-middle" of young professionals, ineligible for social housing yet unable to afford market price. Pocket guarantees a minimum discount of 20% off market price.

Pocket has a particular method to make the apartments developments 'stack up'. Pocket's basic model is to reshape societal perceptions of what constitutes acceptable space standards – each apartment is $38m^2$. Most notably, the organisation has a strong desire to locate developments within Zone 1 and Zone 2 of London (close to the city) and within walking distance to a train station - where space is at a premium and land is more expensive. There are currently 17,500 people on the waiting list demonstrating the popularity of this scheme.

Pocket's financial model, which generates the same return on capital as standard development but with added financial security, is straightforward and seeks to ensure it can supply properties in desirable areas by buying the cheapest land available in the most expensive areas of London. It then maximises density via smart design providing no car parking and 100% affordable housing, which is entrenched in the idea of "perpetual affordability". This perpetual affordability happens by imposing affordable criteria for re-selling Pocket homes on incumbent homeowners in order to prevent speculation and ensure that future homeowners also benefit from below-market prices.

The Greater London Authority Housing Covenant is a fund helping working Londoners, on low and modest incomes, who contribute a significant amount to London's economy with their housing costs. This funding focuses on affordable home ownership products. £100 million of funding is being made available to stimulate the supply of intermediate housing. This will help an initial 10,000 Londoners and establish a ten year revolving fund so that this investment can continue to help future generations.

Pocket is proud of its private sector approach to affordability. It does receive government support to make it work. This model was supported by the Greater London Authority which, in 2012 through its new Housing Covenant for Londoners, identified Pocket as an innovative affordable housing model, and awarded the company a £21.7 million equity loan for 10 years to support the delivery of 4000 new homes. It also relies on local governments waiving a number of conditions under its inclusionary zoning legislation regarding a minimum number of social housing units to be contained in each new development.

The Help to Buy Individual Savings Account is a way for first-time buyers to save without tax for their home deposit and receive government assistance. Its big draw is that the government will top up the amount saved by 25%, with this bonus to be put towards the deposit on a home.

Pocket has also turned to crowdfunding to raise funds for its company. Pocket's first Crowdcube mini bond raised £1.5 million for the company's operational costs, and has already started paying out to investors. The bond overfunded within the first few weeks, and attracted 325 new and regular crowdfunding investors. Investors will earn 7.5 percent gross interest per annum over an initial four-year term. They can then cash in their initial investment or keep hold of the bond for another year on the same terms.

With the Help to Buy equity loan a purchaser will need to contribute at least 5% of the property price as a deposit, then the government will give you a loan for up to 40% of the price The equity loan is interest free for the first five years. After that, the home owner will pay a fee of 1.75%, rising annually by the increase in the Retail Price Index plus 1%.

On 4 December 2015, Pocket launched its second mini bond on Crowdcube to raise £1.2 million with a fixed rate return offering of 7.5% over a four year period. The launch of the bonds comes on the heels of Government's Help to Buy ISA launch, and the announcement of increased support for the intermediate housing market in London with the London Help to Buy scheme.

Pocket also receives funding from a £30m secured debt facility from Lloyds Bank allowing Pocket to move forwards in great strides.

4.2 Boston, United States of America

Boston is located in the Commonwealth of Massachusetts on the eastern seaboard of the USA. Metro Boston has a growing population with current population estimated to be 655,884 people[6]. It is surrounded by Greater Boston which swells the population of the broader region to 4.7 million people[7]. Boston is a proud historical landmark in the USA, being founded in 1630 and is home to many well-known significant historical events in the American Revolution.

Boston's housing market is expensive. Housing costs are part of the reason why Greater Boston is the third most expensive large metro area in the nation, trailing only New York and Washington, D .C. Among renter households, over half are paying more than 30 percent on rent, up from 30 percent in 2000[8]. Even more alarming, at least a quarter of all renter

[6] Source: Census USA

[7] Source: Census USA

[8] The Greater Boston Housing Report Card 2014-2015

households are now paying half or more of their annual income on rent — up from 18 .4 percent in 2000[9].

The 2013 census counting the number of homeless people in Boston estimates that there were 7,255 homeless people an increase of 3.8% from the previous year[10]. A quarter of Boston's adult homeless population have jobs but they do not pay enough to access stable accommodation. Few of the homeless people in Boston are on the streets, in part because of the Massachusetts "right to shelter" law that guarantees qualified families a place to stay. But traditional shelters have been over capacity for years — thousands are being put up in motels — and getting people into permanent housing is a constant struggle.

Since building its first public housing units in the 1930s, Boston has maintained a 75-year tradition of creating housing for its low-income residents. The result is a city that now has a greater share of its housing stock set aside as affordable housing than any other major city in the country. Boston currently has 52,800 units of affordable housing, comprising 19 percent of its housing stock. However, even with this long-term commitment to affordability, many factors are now resulting in an overall loss of affordable housing stock (for example, 'rent control' contracts are coming to an end).

It is against the backdrop of an increasing homeless population, a hot housing market with demand outstripping supply and a reputation for pushing for innovation across diverse industries that Boston is starting to look at a broader range of partnerships to increase access and supply to affordable housing.

Role of Governments

The Central, Massachusetts and Boston governments have simplified the policy tools used to create partnerships between the government, private and NFP sectors. The long-term approach to their programs creates a higher level of certainty for all stakeholders and provides a key success factor in making partnerships sustainable.

Case Study: Low Income Housing Tax Credit Program

The most efficient financing tool available in the US to develop affordable rental housing is the Low Income Housing Tax Credit (LIHTC). This tax credit program, created, as part of the Tax Reform Act of 1986, is currently the federal government's largest and most successful program for engaging the private sector in the construction and rehabilitation of affordable rental housing. According to the National Council of State Housing Agencies, approximately 90 percent of all affordable housing is financed annually through the LIHTC.

The LIHTC gives investors a dollar-for-dollar reduction in their federal tax liability in exchange for providing financing to develop affordable rental housing. Investors' equity contribution subsidizes low-income housing development, thus allowing some units to rent at below-market rates. In return, investors receive tax credits paid in annual allotments, generally over 10 years.

Since 1987 the LIHTC has:

- Financed more than 2.7 million affordable apartments
- Supported nearly 96,000 jobs annually (*National Association of Home Builders)*

[9] The Greater Boston Housing Report Card 2014-2015

- Benefited local economies from the addition of $3.5 billion in taxes and other revenues

Federal Tax Credits LIHTCs allocation of 9% can raise as much as $160,000 per unit of funds to pay for eligible costs. These 9% Credits are extremely attractive to affordable housing developers, but the amount of 9% LIHTC allocated to the State in any given year is limited, making competition fierce. Boston currently has a multi-year queue of affordable housing developments seeking an award. This competitiveness encourages developers to offer benefits that are better than the established minimums when competing against other projects (e.g., charging lower rents, or maintaining the low income requirements for a longer number of years, will often improve a project's rank in the competitive process).

Given the success of the Federal Tax Credit program, over 12 years ago the Commonwealth of Massachusetts introduced the Massachusetts Low Income Housing Tax Credit (MLIHTC) which awards state tax credits to investors in affordable multifamily rental developments. It is not as generous as the Federal program, offering 4% LIHTC which can raise as much as $100,000 per unit of funding. Although less lucrative than the 9% LIHTC program, the allocation of 4% LIHTC can be obtained more quickly, shortening the development timeline and providing potential cost savings.

> LIHTC apartments must be affordable to persons with incomes at or below 60% of the area median income. While this is the highest income a household can earn, many LIHTC apartments are affordable to persons with far lower incomes. New LIHTC developments must set aside at least one out of every ten units for households with extremely low incomes, less than 30% of area median income.

In Boston, the Federal and State LIHTC programs are both administered at the state level by the Department of Housing and Community Development. This provides an economy of administrative scale for the government and a great overview of what is being proposed in the affordable housing pipeline. The fact that the Federal and State programs are similar is advantageous for the private and NFP sectors which only have to deal with one set of administrators, policies and processes. In addition, the longevity of the program creates a level of certainty which enhances the partnership approach between the government, NFP and private sector.

The program leverages significant private investment in affordable housing and is a centre-piece for public-private community development efforts.

Community-Led Initiatives

In the City of Boston's *Housing a Changing City 2030'* strategy[11], one action is to explore the use of Community Land Trusts as a way to forge greater collaboration between the public and private sectors in increasing access and supply of affordable housing. The City has committed to work with non-profit and quasi-governmental funding entities to help community-based organisations acquire land. This land will then be held for future affordable and mixed-income housing development.

In the USA, a CLT is a nonprofit organization governed by community members that stewards land for long-term public benefit. CLTs protect land from the pressures of the real estate market, as the land is never resold. Whether the goal is affordability when real estate prices are high or community control over development when land is cheap, the CLT has shown itself to be a potent tool. The majority of CLTs have been established since the

[11] City of Boston Department of Neighbourhood Development

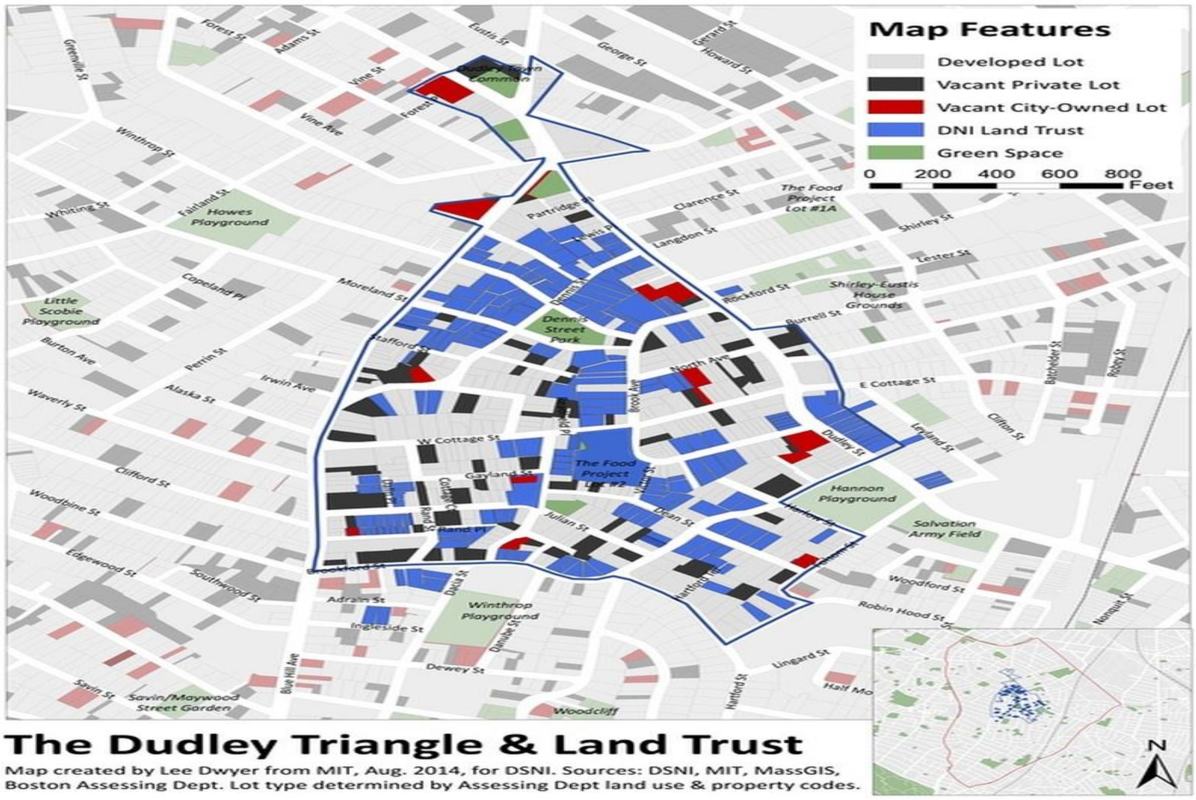
1990s, with most focused on affordable housing and 60 percent serving urban areas. A 2011 survey of 96 CLTs found that they host almost 10,000 units of housing.

Case Study: Dudley Street Neighbourhood Initiative

Boston has one of the most successful CLTs in US, possibly the world. For the past thirty years, the Dudley Street Neighbourhood Initiative (DSNI) land trust has ensured that new development in the community serves a broad range of income levels and needs.The DSNI is a nonprofit, community-run organization based in Roxbury, Massachusetts. It was founded in 1984 by residents of the Dudley Street Neighborhood as an effort to rebuild the poverty-stricken community surrounding Dudley Square.

The DSNI created Dudley Neighbours, Incorporated (DNI) as a non-profit conduit for the community's eminent domain authority, to control land use, and to ensure long-term housing affordability. DNI is an implementation vehicle for DSNI's larger community-controlled revitalization planning and organizing. In 1988, the Boston Redevelopment Authority (BRA) granted DNI the power of eminent domain over privately-owned vacant land in the most devastated portion of the neighbourhood, the Dudley Triangle. Through a Ford Foundation Program-Related Investment Loan, DNI purchased the private land in the Triangle. The City sold its land to DNI for $1. There are approximately 28 acres of land in DNI today.

DNI combines vacant lots acquired via eminent domain with city-owned parcels and leases these to private and non-profit developers for the purpose of building affordable housing consistent with the community's master plan. To date more than half of the 1,300 abandoned parcels have been permanently transformed into over 400 new high quality affordable houses, community centers, new schools, Dudley Town Common, community greenhouse, parks, playgrounds, gardens, an orchard and other public spaces. Figure 5 provides a view of DNI development in the CLT area.



The Dudley Triangle & Land Trust

Map created by Lee Dwyer from MIT, Aug. 2014, for DSNI. Sources: DSNI, MIT, MassGIS, Boston Assessing Dept. Lot type determined by Assessing Dept land use & property codes.

The DSNI maintains housing affordability in perpetuity through the dual ownership structure of the CLT in which the improvements (e.g. the house) is owned by the family and the land is owned by the community (via the CLT) with a 99 year ground lease. As a homeowner on the land trust, you own the investments into your home and you build equity as you pay your mortgage.

However, if you do sell your house, you can only make a limited profit beyond recapturing your payments - you can't simply sell to the highest bidder. CLTs thereby allow lower-income families to build home equity while keeping prices within reach of other families of similar incomes, independent of fluctuations in the real estate market. The home-owner, with DNI permission can sell it to people who have previously expressed interest in buying and already live in the neighbourhood. If the home is sold back to the land trust a lottery is conducted with income-qualifying applicants.

The DSNI CLT has been successful due to all those in the community and at DSNI who made this vision a reality and also the leadership at the City of Boston, the Boston Redevelopment Authority, and the Department of Neighborhood Development Each department and the authority played a major role and contributed critical support to the effort. The success of the CLT is one of community, public and private sector partnership of learning to trust one and other. It was on that foundation of trust and commitment that many of the critical actions, including eminent domain and creating the DNI Land Trust, were exercised, and that enabled City, State and Federal and private sector resources to flow into area projects.

NFP Innovation

Across the US there has been the development of a number of social impact investments aimed at reducing homelessness. Social impact investment, commonly known as pay-for-result (PFR) programs, are gaining popularity for a broad range of entrenched social issues. The White House, since 2012, has been aiming for legislation and a centralised Treasury fund to deliver more in the PFR space. In fiscal year 2012 there was a modest $100 million request to support Pay for Success models in domestic discretionary spending programs to reduce recidivism, provide workforce training, and combat homelessness. In fiscal year 2013 a similar request was made but for $109 million. Neither of these proposals went anywhere in Congress. In fact, very little attention was given to the idea of Pay for Success, even at a time when budget deficits were a big part of the discussion in Washington.

Congress is currently considering the bipartisan Social Impact Bond Act, legislation that will enable the U.S. federal government to allocate $300 million to SIBs. The proposed $300 million fund is designed to incentivize state and local governments to develop Social Impact Bonds, which will be administered by the Treasury Department. It is partially modeled on the U.K.'s Social Outcomes Fund. Its £20 million fund "will be used to provide a 'top-up' contribution"—a portion of the outcome expenses beyond what any single budget is able or willing to contribute—to help finance payments for complex Social Impact Bond agreements where benefits will cut across multiple budget lines.

Whilst the US Federal government debates the matter, NFP organisations in Massachusetts have taken it upon themselves to look at using PFR programs to address homelessness.

Case Study: Boston Homelessness Pay for Success Program

In 2015 the Commonwealth of Massachusetts launched a Pay for Success program in partnership with the Corporation for Supportive Housing, Massachusetts Housing and Shelter Alliance, the United Way of Massachusetts Bay and Merrimack Valley, and Santander Bank with technical assistance for the project coming from the Harvard Kennedy School Social Impact Bond Lab. The six-year program will provide 500 units of stable supportive housing for up to 800 chronically homeless individuals. The project is funded by a $1 million philanthropic investment and a $2.5 million private capital investment from the United Way, CSH, and Santander. Root Cause will serve as the independent evaluator and the outcomes payments will be determined by their evaluation. Success will be based on stable housing for at least one year of chronically homeless individuals participating in the initiative. The maximum possible return to investors is 5.33%. The initiative also leverages public resources, including Massachusetts Rental Voucher Program subsidies from the Department of Housing and Community Development.

This program took a number of years to come to fruition. It gained approval based on evidence from the Massachusetts Housing and Shelter *Alliance Healthy Homes for Good Housing First* initiative. This alliance collected evidence over a number of years that demonstrated that supportive housing, when targeted to the appropriate high-cost population reduces Medicaid costs. Actual pre-housing and post-housing Medicaid costs were obtained from MassHealth in March 2009 for the first ninety-six HHG participants. Total Medicaid costs reported include any medical service that was paid for by MassHealth, including inpatient and outpatient medical care, transportation to medical visits, ambulance rides, pharmacy, and dental care. Before housing, the mean annual Medicaid cost per tenant was $26,124. After housing, the mean annual Medicaid cost dropped to $8,500. Extrapolating this number suggests that successfully housing this population saved Medicaid nearly $1.7 million. Simply put, providing housing and supportive services to chronically homeless individuals is a much more efficient use of resources than managing their medical conditions on the streets or in shelters.

The Commonwealth of Massachusetts PFS initiative is part of an ongoing commitment by the Government to reform the way Government does business by identifying innovative programs that improve outcomes and save money. If this program is successful, the Commonwealth will make up to $6 million in success payments to repay investors and cover evaluation and intermediary costs.

By repurposing existing state and provider resources, this project will maintain a significant number of the 500 units of supportive housing even after the six-year pay for success period concludes, creating a new model of sustainable state support for chronically homeless individuals.

Harvard Kennedy School Social Impact Bond Technical Assistance Lab (HKS SIB Lab) The HKS SIB Lab provides pro bono technical assistance to state and local governments implementing PFS contracts using Social Impact Bonds. The SIB Lab assisted Massachusetts in developing the procurement and designing the data analysis strategy for this Initiative.

4.3 Calgary, Canada

Calgary is the biggest city in Alberta, Canada with a population of approximately 1.15 million people as of April 2013[12]. Calgary's population has been steadily increasing due to the past strength of the energy and resource sector attracting a large number of people seeking employment opportunities in these industries. With demand pressure increasing, on the top of good wages generated through the resource sector, housing prices have been steadily increasing. During 2014 and 2015 the rental vacancy rate hovered around 1.4 percent.

In Calgary on any given night, over 3500 people are homeless. At least 40 percent of the homeless were in employment. The good news is that the number of homeless people has been steadily decreasing since 2008 based on innovative and collaborative partnerships in Calgary. Prior to 2008, the number of homeless in Calgary peaked at more than 4,000 and had been increasing by approximately 35 per cent every two years.

In Calgary, over 38,000 renter households are considered in need of affordable housing – that is they spend greater than 30% of their gross income on housing and earn less than $44,000. The challenge in Calgary is increasing with the economic downturn in the energy and resources sector. It is predicted that more than 14,000 Calgarians are at risk of homelessness due to increasing unemployment – this is set to rise into 2016.

Calgary, over the past eight years, has been proactive about combating homelessness and creating more affordable housing. It is at the forefront of trailing new approaches to bring together the finances it needs to increase the supply of affordable housing. There is a concerted effort by the community, NFP and private sector to end homelessness through a coordinated and collaborative joined-up approach.

Role of Governments

The Canadian Federal Government is proactive in providing a policy platform and a variety of policy tools to increase access and supply to affordable housing. It takes the lead in providing information on the housing market and how to make affordable housing developments stack-up for all stakeholders.

Case Study: Housing First Policy Platform

The Canadian Federal government has adopted the Housing First model as their national policy to end homelessness. Housing First is a recovery-oriented approach to homelessness that involves moving people who experience homelessness into independent and permanent housing as quickly as possible, with no preconditions, and then providing them with additional services and supports as needed. The underlying principle of Housing First is that people are more successful in moving forward with their lives if they are first housed.

With a commitment to Housing First, the Canadian Federal Government introduced the Homelessness Partnering Strategy (HPS) which is a community-based program aimed at preventing and reducing homelessness by providing direct support and funding to communities across Canada. In its Economic Action Plan 2013, the Federal Government of Canada proposed $119 million annually from March 2014 until March 2019—with $600 million in new funding—to renew its Homelessness Partnering Strategy (HPS).

Through a focus on Housing First, the Homelessness Partnering Strategy (HPS) can support communities in reducing the strain on shelter, health and justice services, while continuing to

[12] Source: City of Calgary Population Forecast 2013-2018

address the needs of the most vulnerable. This represents a balanced approach that ensures that communities adopting Housing First remain flexible to invest in other proven approaches that complement Housing First and measurably reduce homelessness at the local level. The following groups are eligible to receive HPS funding and act as coordinators for activities: not-for-profit organizations; individuals; municipal governments; for profit enterprises; research organizations and institutes; public health and educational institutions; Band/tribal councils; and other Aboriginal organizations.

Traditionally the funding under the HPS flows through municipal governments. In Calgary, the funding flows through the Calgary Homeless Foundation, a local NFP charity. The Housing First funds under the HPS are primarily directed at non-capital aspects of getting the homeless into housing. A smaller, secondary 'non-Housing First' element of the HPS can be allocated to capital aspects with a strong emphasis on partnerships with other government, NFP and private sector organisations.

Case Study: Canadian Housing and Mortgage Corporation

Complementing the HPS is the Canadian Federal Government Canadian Housing and Mortgage Corporation. The Affordable Housing Centre team is at work in communities across Canada, offering knowledge, expertise and financial assistance to groups in the private, non-profit and public sectors to help facilitate the production of affordable housing without long-term federal subsidy. The Corporation offer two primary programs to assist with this goal:

- Seed Funding Program - Grants and interest-free loans are available for a wide variety of eligible expenses for projects of any size or scope. Seed Funding may be used for a variety of activities in the early stages of developing a proposal for a specific housing project, such as analysis of need and demand for the proposed project, professional fees or contract documents and application fees.
- CMHC Multi-Unit Affordable Housing – To support the creation of affordable multi-unit housing, CMHC offers financing flexibilities, including loan-to-value ratios of up to 95% and reduced premiums. The higher the level of affordability, the greater the flexibilities offered. CHMC-insured financing provides access to competitive interest rates for the life of the mortgage.

The CMHC also provides significant resourcing to the private and NFP sectors in the form of expertise including Fact sheets, checklists, viability calculators and more to help you develop your affordable housing project or enhance the performance of an existing project.

NFP Innovation

Calgary, like many communities across Canada, had historically responded to the homelessness crisis through a patchwork of community-based emergency services and supports. There was no 'system', but rather an ad-hoc collection of service providers, funded by all levels of government and charitable donations. As a community, the response to homelessness was led first by the Calgary Committee to End Homelessness and then by the Calgary Homeless Foundation (CHF). The latter organization became the central force in creating a shift towards the adoption of Housing First strategies in the city.

Case Study: Ten Year Plan to End Homelessness

Unlike many other Canadian cities, the response to homelessness is not organized by the municipality, but rather by an independent NFP that receives funds from government and the private sector, and is the lead institution in responding to homelessness in Calgary, In 2006 many working in the homelessness sector began hearing about the concept of a Ten Year Plan to end homelessness and the success these Plans were having reducing homelessness in many communities in the United States. One component of the Ten Year plan was the importance of integrating a Housing First systems approach into the Plan and to adopt Housing First as a core philosophy guiding the success of the Ten Year Plan strategy.

Calgary's Plan to End Homelessness (Plan) was launched in 2008 with the Calgary Homeless Foundation appointed as the lead implementer. The Plan provided concrete directions to address:

- Historical bi-annual 30% growth rate in homelessness between 1992 and 2008
- Anticipated 10,000 Calgarians expected to be homeless by 2015
- Cumulative economic costs of emergency shelter management systems estimated at more than $9 billion over 10 years.

Calgary's Plan to End Homelessness saw the provincial government and community partner's focus on providing direct supportive housing and programs to the chronically homeless. These efforts have resulted in:

- Almost 7,000 people being provided permanent housing with supports since 2008
- A 15% decrease in homelessness in Calgary per 100,000 population since January 2008
- Positive outcomes for vulnerable Albertans
- Social and economic cost savings to city and province

Case Study: RESOLVE Campaign

RESOLVE is a capital campaign aimed at finding affordable housing solutions for people who are homeless. The RESOLVE Campaign meets one of the key goals of Calgary's Ten Year Plan to End Homelessness and Housing First policy, which is to increase the amount of affordable homes in the city with the supports needed to help those housed overcome their challenges and live sustainable lives. RESOLVE is designed as a one-time collaborative fundraising campaign during the implementation of the Plan.

Figure 6: RESOLVE Billboard

RESOLVE is a partnership of nine established, experienced and respected Calgary social service agencies that have come together, along with government, with a single one-time goal – build affordable rental housing for 3,000 vulnerable worth $120 million and homeless Calgarians and end homelessness.

This level of collaboration is a first for Calgary – and a first for Canada. It presents a seamless approach to fundraising for affordable housing – a "one stop shop" for everbody to give towards a community-owned goal of ending homelessness. For the nine organisations it relieves the burden to go cap in hand to philanthropic organisations and high net worth individuals on a regular basis for new infrastructure funds. For those giving, it provides a streamlined approach to provision of funds and less approaches from charities and organisations seeking to raise funds for a similar goal.

Each of the nine agencies have set a dollar target from the $120 million goal to achieve their infrastructure goals. Gifts to RESOLVE can be designated to a particular organization or undesignated. Undesignated gifts are divided according to the RESOLVE Memorandum of Understanding. Each partner receives a portion of undesignated funds relative to their remaining share of the overall Campaign goal. Once a partner has received 80 per cent of their goal they will not receive additional undesignated funding until all of the Partners have reached that level of support. This truly makes it a NFP collaborative approach.

Figure 7: RESOLVE advertising on inner city train

RESOLVE is committed to the Calgarian community taking responsibility for the fundraising required. It has a well-designed promotional campaign with billboards, news articles, TV ads, advertising on trains and other nifty materials designed to increase awareness and garner support. As a professional fundraising organisation, it has a high calibre Board that has the influence and capacity to tap into networks to assist in raising funds for the Campaign.

With a Government, NFP and private sector approach to ending homelessness, to date, eleven home builders in Calgary have stepped up to support the RESOLVE campaign, with a contribution of $1.4 million each for a total of $15.4 million. Other key contributors include are banks, resource and energy companies, and investment firms. With this type of support, the RESOLVE campaign has raised enough money to provide 1113 individuals with a safe and affordable rental home. Currently, there are 42 buildings RESOLVE is supporting in various stages of development, totalling 1,763 units.

The funds raised and distributed through RESOLVE are used in a myriad of ways, such as paying off mortgages, building projects and purchasing land.

Private Sector Entrepreneurs
The private sector is proactive in Calgary, not only in working with the RESOLVE Campaign, but bringing their own ideas and solutions to the table. Entrepreneurial and forward-thinking individuals have been involved in urban development that provides affordable housing for low to middle income earners.

Case Study: New Urban Affordable Housing Development
New Urban, a real estate development firm focused on urban revitalization projects, has a goal of providing home ownership to key workers or "city-makers" in Calgary.

New Urban, was aware of the housing affordability issues faced by residents of Calgary. In 2011, census data indicated that more than 35,000 households (8.1 per cent) in Calgary were facing financial hardship by spending 30 per cent or more of before-tax household income on shelter. New Urban understood that it would be impossible for his company alone to help all those with housing needs, but they had an idea that could provide assistance through a new homeownership strategy.

In 2008, New Urban created its NFP arm – InHOUSE Society – to promote the concept of housing affordability in a manner that better leverages the strengths of both the public and private sectors. It advocated for a departure from the traditional government response to housing pressures, under which policies are developed to mandate allocation of municipality-managed subsidized units as a percentage of proposed developments. As a variation to this approach, New Urban proposed that the developer's contribution should take a different form, in partnership with the municipality.

InHOUSE Society utilises a unique shared equity model which helps people with moderate incomes afford home ownership. Shared Equity Lender Financing (SELF) is the innovative solution that helps to make homeownership possible for qualified buyers through a shared equity model, by providing up to 35 per cent of the value of the condominium as a loan. It also eliminates one of the primary hurdles facing many new homeowners – the down payment – and reduces monthly mortgage payments to an affordable level. SELF is designed to enable low-to-moderate-income earners to build equity through homeownership by replacing the need for a purchaser's down payment with a deferral of the land value and the developer's equity in the project.

> The SELF model works in the following way when purchasing a $250,000 housing unit: A conventional mortgage requires a down payment of 20% or $50,000, an amount that many entry-level purchasers do not have available. With the SELF model, the lender accepts the deferred value (land and construction) as 35 per cent of the total purchase price, leaving 65 per cent as a loan-to-value mortgage, which is provided to the purchaser. In time, when an owner sells a unit, the same 35/65 split applies. Of the proceeds from sale, 35% of the sale price is given to INHOUSE while the remaining 65% goes to the unit owner to pay off the mortgage loan, leaving the rest as equity for the owner.

To make this model work, New Urban and InHOUSE worked with government:

- City of Calgary: the deferred value would come from the City of Calgary providing municipally owned land while New Urban would take on land development and construction costs. This deferred value would constitute 35 per cent of the purchase cost of units, making the mortgage value to the consumer 65% of the total value of the unit. A smaller loan-to-value mortgage is made possible in this manner.
- CMHC: the Mortgage Loan Insurance Flexibilities program allows the lender to recognize the value of the loan as a down payment, thereby permitting the homeowners to take on a mortgage for the remaining value of the property.

This private, public and NFP collaboration has worked well at McPherson Place where more than 100 of the 160 units are offered under InHOUSE's shared equity model, and the remaining units were sold to the City of Calgary and offered as rental units.

To help lay the groundwork for McPherson Place, CMHC provided a $100,000 interest-free project development loan. The funding went towards preliminary design, project research and market studies, and architectural and legal fees. InHOUSE worked with CMHC and a preferred lender to secure mortgage financing for the home buyers. Anonymous private lenders, who saw the value of this project, also provided $900,000 toward the project.

The SELF model is contingent upon an investment that can appreciate over time. The development of McPherson Place took place on an identified municipally owned site situated in Bridgeland adjacent to a city train station and offering amenities such as convenient access to downtown, the river pathway system, and shops and restaurants. Bridgeland is an attractive community that is expected to generate return on investment through appreciation of land and housing units.

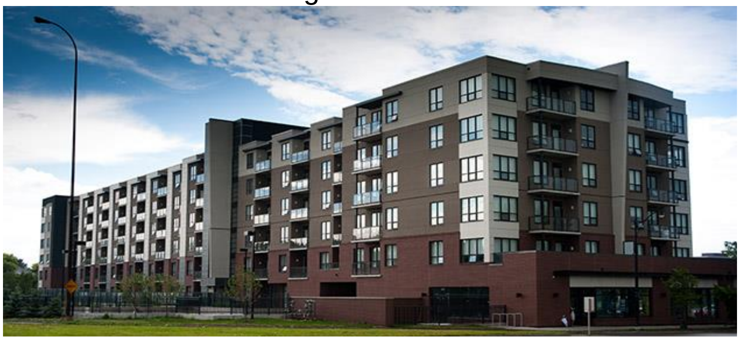


Figure 8: McPherson Place Calgary

New Urban and InHOUSE created Bridge Attainable Housing Society (BAHS) to act as the not-for-profit organization that would negotiate the terms of the McPherson Place construction and unit sales through the SELF model. To start, BAHS acquired the land from the City of Calgary for a 10 year period contingent that the affordability requirements remain in place. BAHS then entered into formal partnership agreements with New Urban Consulting and McPherson Limited Partnership for the provision of project management, unit financing and construction loans. InHOUSE carries their portion of the equity for a period of at least ten years. At the end of ten years, the unit can be sold on the open market and InHOUSE recaptures their share of their equity alongside the attainable purchaser.

Construction began on McPherson Place as a 160-unit development in June, 2011, with units selling out in four months. The current market value of the project is $47-million, and 58 of the units have been sold to the Calgary Housing Company to hold as subsidized housing units.

The goal of assisting first-time purchasers in building equity has been achieved, as evidenced by the sale of eight units over the past 18 months that averaged about $23,000 in equity for the owner. As these people move into full market units, the McPherson Place units are sold to buyers on their lengthy waiting list, advancing another opportunity to assist in equity-building.

The case of McPherson Place demonstrates that public and private sectors can unite to make best use of their skills and assets to provide a means for citizens to meet their basic need for housing.

CONCLUSIONS AND RECOMMENDATIONS

During my Churchill Fellowship it became clear that there were many different ways for tripartite partnerships to work when addressing issues relating to affordable housing. Some were a result of community-led initiatives that worked within established policy settings to piece together housing developments that could be targeted towards those in need of affordable housing. Others came to fruition through the private sector trying to make a positive social contribution through finding a niche that business models could work and that governments' could contribute to. Many came through the private and NFP sectors capitalising on legislation and policies introduced through government that were clearly targeted towards partnerships approaches, particularly leveraging large-scale investment into affordable housing development.

The key strategic learnings from my Churchill Fellowship are:

- Political vision and long-term commitment to affordable housing underpin the most successful partnership programs.
- A planned legislative approach that provides a robust structure for innovative programs that focus on leveraging the strengths of all sectors.
- Central government agencies putting in place 'innovation' teams that guide the public service towards engaging more effectively with the NFP and private sector and designing interventions to use the expertise of these sectors.
- Different layers of government providing complementary policy and program approaches. Partnerships are enhanced when the NFP and private sector can work with one government agency when participating in affordable housing programs with consistent policies, program design and personnel.
- Government has a crucial role in using policy levers as a catalyst for partnership approaches to affordable housing development. There are a variety of levers that do not require up-front capital costs for government which can be useful in times of budget deficits.
- Successful interventions between the private sector and governments' are often enhanced by the use of an expert intermediary (usually an NFP entity) with expertise in the social, financial and housing sectors.
- Programs must recognise the inherent value of each partner in the process. Innovation is easily and more readily translated into programs when each partner can contribute to the design and there is the ability to debate and discuss key aspects.
- Inspiration and solutions can come from the community and broader NFP sector which can influence Government policy development and have a significant impact on financing of affordable housing programs.
- Private sector entrepreneurs can be agents of social change and have demonstrated that they can develop affordable housing for key workers through innovative mechanisms and personal risk.

There are a number of exciting programs that have emerged in the UK, US and Canada that warrant further investigation in the Australian setting including:

- A Housing First approach that has seen the development of social impact investing into affordable housing supply to provide homes to those experiencing chronic or episodic homelessness. Realising cost savings interventions to public and private funders, and taxpayers, is critical.
- The RESOLVE Campaign, a highly successful collaboration between nine NFP housing agencies to increase supply of affordable housing to end homelessness in Calgary.
- Use of different government legislative and policy tools that use cost-effective ways to leverage funding through the private and NFP sectors into affordable housing development, for example social impact investing approaches and low cost loan facilities.

To make change in Australia there are a number of key areas where immediate work can be done to make changes to encourage partnership approaches to increasing access and supply to affordable housing:

- Australians love to talk about real estate – open up a newspaper and there is a fair chance that there will be an article on how much housing is worth, where the next 'hotspot suburbs are' and how to make money through investment properties. There is a need to channel this enthusiasm into raising awareness, and focussing on solutions, for the 1.2 million Australians that are in housing stress or the 105,237 people in Australia who are homeless. Community awareness and ownership of the issue is integral to not only shape government policy, but to get the support from the private sector as well. The RESOLVE Campaign in Calgary provides a strategy on how to proceed with a successful approach.
- Make affordable housing an election issue. 2016 is shaping up to be a great year to influence political leaders with the federal election due later this year. The next state election in WA will be in early 2017. In the past, affordable housing policy platforms have not be prominent in campaigns – however with an informed and vocal community and sophisticated lobbying this can change. Political vision and leadership is helpful in creating a stable and inspired foundation for partnerships.
- Promote a 'Housing First' approach to governments. The benefit of this approach is demonstrating the cost savings to government through this approach – an investment (or the right policy environment) in housing, especially when using well designed partnership approaches, can immediately save money for governments in the short and long-term in areas such as healthcare, policing and welfare.
- Value-adding to conversations that are happening in the private sector and working out ways that partners can get new initiatives off the ground. There is significant interest from the private sector to support affordable housing initiatives – and there are new social investment models being trialled and developed across Australia. Like a number of the initiatives described in this report, it will take time to 'piece' together the different funding models that could support alternative ways to increase supply.

My role in disseminating these findings and leading changes is to continue to work with a broad range of government agencies, NFP organisations and private sector entities – developers, builders, bankers, architects etc, to discuss what is possible and work out practical ways forward. Many of the individuals in these organisations are influential and by capturing their interest and imagination we are all one step closer to more affordable housing in Australia. I intend on presenting my findings through workshops, presentations, meetings, media opportunities, conferences and my work through advocacy organisations that lobby governments on housing issues.