



Abbeyfield Australia submission to the Senate Economics References Committee 'Inquiry into Finance for the not-for-profit sector'

Giving people a place to call home - Abbeyfield Australia group housing

1. Abbeyfield Australia is a small national provider of high quality affordable community housing.
2. Abbeyfield Australia welcomes the trend towards commercial lenders being increasing receptive to the community housing sector, and to the growth of community development finance institutions.

However...

3. Abbeyfield Australia would argue for some form of government finance to facilitate the development of affordable, high quality housing for specific niche / disadvantaged cohorts which cannot support commercial rates of finance (debt or equity)
4. The Abbeyfield model has an extremely low life-cycle cost to government. The cost to government of accommodating a resident in an Abbeyfield House is about \$8K per resident per year ⁽¹⁾.
5. In 2011 an Abbeyfield House requires a capital investment of about \$2.6M ⁽²⁾
6. An Abbeyfield House will likely generate a very low surplus of about \$10K - \$20K per annum. This low surplus is insufficient to sustain private sector debt or equity on a commercial basis
7. An Abbeyfield House is extremely cost effective because it is managed by local community volunteers and is a purpose built group house. Being a purpose built group house however can result in a negative Loan to Value Ratio (LVR), meaning it costs more to build an Abbeyfield house than its value once built. This makes it problematic to attract commercial finance or equity.
8. We refer to the combination of our very low operating cost and low income generation ability as our 'capital hump'. Once we get over the capital hump an Abbeyfield House can be financially sustainable (though this is increasingly challenged by cost increases) – but the initial 'capital hump' proves a significant barrier to growing this very cost effective housing model.
9. The flexibility in the model and ability to complement additional housing models such as Independent Living Units or aged care. Being a volunteer community based model, an Abbeyfield House also has non-financial benefits in:
 - ongoing community engagement for disadvantaged or marginalised residents who are at risk of disconnection from their community
 - ongoing community capacity and skill building.

⁽¹⁾ Independently funded *Narrabri Abbeyfield House Feasibility Study*, 2009 page 31, based on a \$2M capital cost amortized over 25 years.)

⁽²⁾ Narrabri Abbeyfield House development estimate, May 2011