



Australian Housing
and Urban Research Institute



INSTITUTE
FOR SOCIAL
RESEARCH

INDEPENDENT LIVING UNITS: THE FORGOTTEN SOCIAL HOUSING SECTOR

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**Housing Futures in an Ageing Australia Conference
Melbourne
10th November 2003**



(1) Background

Over the past 12 months, as part of a team of people at the Swinburne Institute for Social Research, I have been engaged in a major research project funded by the Australian Housing and Urban Research Institute investigating Independent Living Units.

The Project aimed:

- To ascertain the significance and status of ILUs as an affordable and appropriate housing option for older people, particularly those who have low assets and low incomes
- To fill an information gap about ILUs
- To identify current changes, issues and strategies, and
- To explore the potential, opportunities and disadvantages for the provision of aged care services linked with ILUs.

The term “Independent Living Unit” (ILU) is widely used in the aged care sector and its use does not necessarily correspond with how I use the term. Thus, I need to clarify what I mean by ILU.

I use the term “Independent Living Unit” to refer to those units which are provided by not-for-profit organisations and which are targeted at older persons with relatively low incomes and low assets. This can be clarified further with a brief note on their history, by a comparison with community housing and by noting what I am not talking about.

A brief historical note

Between 1954 and 1986 NFP organisations such as the RSL, Lions, Southern Cross Homes, Masonic Homes, Brotherhood of St.Laurence and the Country Women’s Association received subsidies the Commonwealth Government under the *Aged Persons’ Homes Act* to construct independent housing for older persons. It was through this Act that many NFP organisations first became involved in providing services for older people – first ILUs, then hostels and nursing homes. During this time these organisations constructed over 30,000 ILUs. This marked this first phase of the retirement village industry.

In addition to Commonwealth subsidies, organisations raised capital funds from various sources – public appeals, grants or leases of land from state and local government, bequests and donations from residents.

After 1986, when APHA subsidies ceased, these organisations continued to construct units using these same sources of funds as well as funds from residents (either as donations or loans). Residents now have access to many of these units at well below their market value.

ILUs and community housing

From 1968, the Commonwealth Government also provided funds to the States for older persons housing and this continues through the Commonwealth-State Housing Agreement (CSHA). This parallel movement now constitutes the mainstream of social housing with two different forms: public housing and community housing.

ILUs and community housing have some important common characteristics. They are both provided by not-for-profit community organisations who:

- primarily target households with relatively low incomes and low assets
- have a primary goal of providing good outcomes for residents
- provide supportive management and supportive environments for residents, and

- support residents by linking them in with a range of other organisations providing other community and support services.

While Community Housing Organisations provide housing solely on a rental basis, ILU organisations provide housing on both a rental basis and through residence agreement which requires the resident to make some upfront ingoing contribution. Thus, many but not all ILUs are managed under various Retirement Villages Acts.

Exclusions

The ILU Project excluded (i) private sector retirement villages (ii) commercial retirement villages by not-for-profit organisations where the entry contribution was more than \$100,000 and (iii) social housing units funded through the CSHA.¹

(2) The importance of ILUs

The importance of ILUs as a social housing option for older persons is hardly recognised so I want to spend some time highlighting their importance.

Overall stock in Australia

Australia-wide we estimate that there are 34,700 Independent Living Units. These constitute approximately 27% of social housing specifically for older persons (public housing 65% and community housing 8%).

Distribution by state

The number of ILUs in each State is more difficult to estimate: NSW with 13,600 ILUs has the largest number; Victoria 6,200; Queensland 4,200; South Australia 3,200; Western Australia 6,400, and; Tasmania 1,100. As a proportion of older persons, ILUs are more significant in Western Australia where there are 32 ILUs to every 1,000 older persons.

Local area

ILUs can be particularly important at a local level. Indeed in some municipalities in Victoria (where we were able to do a local analysis), ILUs constitute more than 50% of social housing for older persons. Another interesting feature is that the distribution in Metropolitan Melbourne indicates an offset between the location of ILUs and the location of public housing. ILUs are mostly located in the east and southeast of Melbourne, while public housing for older persons tends to be located in inner Melbourne and, the north and west of Melbourne.

A unique housing model

The importance of ILUs lies not just in the number of ILUs at national, state and local levels but also in the model of social housing offered to older people. ILU organisations provide a broad and diverse range of social housing models. However, across this diversity, there are some common but particular characteristics which distinguish it from other social housing options:

- ILUs provide segregated housing for older people and thus provide a sheltered community or village environment;
- ILUs are predominantly cottages. In some States, notably NSW and Vic, the predominant form of public housing for older persons are flats;
- ILU organisations not only provide housing but a range of other services such as a meeting room, an emergency alarm in each unit, and an on-site caretaker/manager;

¹ The diagram in the Appendix situates ILUs within the broader aged housing sector.

- ILU organisations offer a different style of management which is much more attentive to what is happening within a village;
- Most ILU organisations also provide residential aged care services and thus can link residents with these services. On many sites, ILUs are co-located with residential aged care services, and
- ILUs are often located in areas which provide good amenity for residents.

(3) A changed context over the past two decades

Over the past two decades both the social and organisational context within which ILUs are provided has changed dramatically.

A changed social context

- Older persons have different and higher expectations of their housing and living environment
- There is a strong emphasis on older people “ageing-in-place” – in their own homes and in their own communities.
- Community care programs such as HACC, CACPS, linkages and community options are continuing to expand.
- The priorities of the Commonwealth government have changed with a particular focus on residential aged care and community care programs – ILUs are no longer a high priority.
- The priorities of State governments have also changed again with a particular focus on community care programs. ILUs have never been a priority and state governments through their State Housing Authorities have focused primarily on “mainstream” social housing funded through the CSHA.
- ILUs are part of the retirement village industry but play “second-fiddle” to the more vibrant part which is expanding by gearing itself at older people with significant assets – both for-profit and not-for-profit providers.
- ILU organisations now face competition from new private developers in rental villages for older people, e.g. Village Life.

A changed organisational context

- Most ILU organisations also provide residential care and currently this is a major focus of these organisations, particularly achieving accreditation and certification by 2008.
- For 36% organisations in the national survey, ILUs were not a high priority but just one of a range of services or a peripheral service.
- The traditional three-tiered system of care – independent living, hostel and nursing home – has broken down with access to residential aged care based on an aged care assessment rather residency in an ILU.
- There have been extensive changes in the legal responsibilities of organisations with new legislation covering Occupational Health and Safety, the new taxation system, residential rights (Retirement Village Act and Residential Tenancies Act), privacy, corporate, financial and auditing requirements etc.

For those ILU organisations whose primary target groups are pensioners who own their own homes or pensioners with some assets, this may highlight a major dilemma: either they redevelop their stock to meet the changing expectations of their target group or, they move into new territory and re-orient their organisation around a new target group.

4.2 Housing stock

ILU organisations face major challenges in relation to their current housing stock. It is primarily this issue which has forced many ILU organisations to stop and reflect on their future directions and role as a provider of ILUs.

Key findings

The key characteristics of current ILU stock are:

- 63% ILU stock is 1-bedroom units
- 57% organisations indicated that the majority of their stock (50% or more) was more than 20 years old
- 32% organisations rated their current stock as below standard while 15% of organisations rate their stock as above community standards
- 34% of units require upgrading but this ranges from 12% of stock in Tasmania to 52% of stock in Western Australia.

Already some organisations have begun work on their stock:

- **upgrade** - over the next 5 years, 67% organisations are planning to upgrade/refurbish units
- **extensions/conversions** - 27% organisations have extended/converted units over the past 10 years. 21% organisations are planning further extensions/conversions
- **demolitions** – 21% organisations have demolished 427 units over the past 10 years, an average of 12 per organisation. The major reasons for demolition are: units are too small; redevelopment of site and units were structurally unsound. 27% organisations are planning to demolish units over the next 5 years with 4 organisation planning to demolish all their units
- **transferred ownership/management** – 15 organisations, most of them in Victoria, have transferred the ownership/management of ILUs to another ILU organisation;
- **new housing** – 23% organisations are planning to acquire new units

Analysis and key issues

ILU organisations have three major issues in relation to their stock.

First, as a result of a major shift in expectations of older persons, ILU organisations not only have to upgrade dwellings to contemporary building and technological standards, but they also have to meet higher expectations in relation to the size, design, facilities and use of units. At the point where an organisation is making a decision about the future of their stock, among the important considerations are a number of design elements:

- the extent to which dwellings can be upgraded to current dwelling standards for older persons and the cost of this upgrade;
- the extent to which dwellings have a capacity for adaptation in the future to meet the changing needs of older persons (e.g. ramps, grab rails, floor coverings, shower access) and the cost of these adaptations;

- the extent to which dwellings have the capacity for the easy and safe provision of support services and can incorporate assistive technologies such as remote-control oven appliances, movement sensors and voice reminders;
- the extent to which the layout of the site itself meets the needs of residents, and
- the extent to which the layout of the site facilitates the integration of site within the local area and the use of local amenities by the residents.

Second, ILU organisations with small housing portfolios have little capacity to manage property risks. Those with larger housing portfolios can spread their risks across more ILUs.

Third, encumbrances, such as past agreements with the Commonwealth under the *Aged Persons' Homes Act*, or lack of clarity around encumbrances, may prevent them from making major changes in the housing stock.

Possible strategies and considerations

At the point when the size, age and condition of their stock is no longer acceptable to new residents, ILU organizations have to stop and think not only about the future of their housing stock but also about their future as an ILU provider. They can adopt one or more of a number of strategies:

- **Redesign and/or upgrade units** (both internally and externally) where their current stock is structurally sound, where the size of units can reasonably meet the expectations of their target group and where the upgrade and redesign will provide units which can be adapted to the changing needs of residents and the requirements of support services as well as extend the life of their stock for another 20 years;
- **Redesign and/or upgrade site** (including providing additional units) where the site layout can meet the needs of residents, can be integrated into the local area and facilitate the use of local amenities by residents and, where the usage of the site is reasonable;
- **Reconfigure stock** where the site and the condition of current stock allow for extensions/conversions which can reasonably meet the expectations of their target group. Reconfiguration of stock is usually accompanied by the redesign and/or upgrade of both the units and the site;
- **Demolish units and redevelop the site with new ILUs** where current units are structurally unsound, where the size, condition and age of units is such that they can no longer be upgraded to meet the reasonable expectations of the target groups and, where the site is under-utilised. Many ILU organisations own sites which have not only increased in value over the past decades but now provide opportunities for construction of units for older persons in good locations and with excellent amenity, and;
- **Sell part of a site and reinvest funds** in the part of the site retained;
- **Sell some or all units on a site** (either existing units or newly constructed units) and reinvest funds in developments on other sites.

4.3 Financial viability

While the current condition of ILU stock has forced ILU organisations to stop and reflect on their future role as providers of ILUs, their future target groups as well as the future of their housing stock, it is the financial issues that largely drive these future directions setting the parameters for what they may or may not be able to do.

Key findings

A prevailing view among many ILU organisations is that the provision of ILUs is no longer financially viable. This statement of the broad prevailing view/feeling among ILU organisations

runs contrary to the experience of both State Housing Authorities and Community Housing Organisations who currently provide housing to low-income households at concessional rentals.

Entry contributions in the form of donations or loans and the retained portion of loans and interest on loan investments serve a number of different purposes:

- to replace finance capital provided by previous residents – allowing the organisation to repay these residents
- as capital for the long-term upgrade of ILUs, particularly when a resident exits, or for redevelopment and reconfiguration of properties
- as capital for a new ILU project for the new resident
- as capital for other new ILU projects undertaken by the organisation, and
- even as capital for other building works undertaken by the organisation such as the construction of residential aged care facilities.

The typical level of ongoing charges is relatively low with most organisations charging less than \$100 per week with a high proportion charging less than \$50 per week. ILU organisations use a broad range of methods to calculate the level of ongoing charges (both income-related and those based on other factors) but end up with similar ongoing charges.

Analysis and key issues

ILU organisations face four key financial issues.

First, whether they are collecting sufficient revenue to meet both the short and long-term costs of providing units.

Second, the tension between providing ILUs which are affordable and maintaining their financial viability in the long term.

Third, with higher housing expectations, ILU organisations have to increase the size of units and provide substantial improvements to units over and above that in the normal upgrading/refurbishment cycle. Thus, they face abnormal capital requirements to ensure that they meet the reasonable expectations of their residents. This may be further complicated by their liabilities for refunding previous incoming contributions from residents.

Fourth, ILU organisations not only face major demands for capital for their ILUs but also for their residential aged care facilities.

Possible strategies and considerations

Some of the ways in which ILU organisations can improve their **revenue** situation (subject to limitations imposed by legislative requirements) include:

- maximising their capture of Commonwealth Rent Assistance
- regularly (annually or bi-annually) adjusting rentals by small amounts
- linking increases in ongoing payments to CPI
- basing ongoing payments upon the actual income of residents (rather than upon the aged pension).

ILU organisations can gain access to **capital** for upgrade, refurbishment, reconfiguration or redevelopment of their stock through one or more of four methods.

- The **traditional resident-funded strategy** is to increase the level of resident contributions as a way of raising the capital required. This can be further supplemented by the revenue strategies above, by using accumulated funds and by borrowings. This strategy may

provide them with sufficient capital to upgrade, reconfigure or redevelop their stock. On the other hand, depending upon their capital requirement, it may dramatically increase their ingoing contributions and/or charges, thus dramatically changing their target group. For many ILU organisations this is not an acceptable option because it makes it very difficult for them to target older persons with low assets and low incomes. Thus a variation on this strategy is to provide some units on means-tested basis. This allows the ILU organisation to maintain some units for older persons with low assets and low incomes. The extent to which units can be means-tested will depend upon the extent to which the ingoing contribution can be increased on other units.

- The **consolidation strategy** involves a reduction of ILU stock. It can take two forms:
 - An ILU organisation could reduce or consolidate its portfolio by selling some or all their units and use the proceeds to upgrade/reconfigure/redevelop retained stock or acquire units on new sites, or
 - An ILU organisation could demolish existing units, redevelop for a new upmarket target group and dramatically increase their ingoing contributions for most applicants but where possible provide some units to older people with low assets on a means tested basis.

Such a strategy may recognise that the organisation is shifting from expansion (using resident contributions) to a steady-state mode where the primary focus is maintaining existing stock.

- The **withdrawal strategy** involves the ILU organisation reviewing its role in the provision of ILUs and divesting itself of some or all its stock. The proceeds from the sale of some or all its stock can be invested in residential aged care facilities or some other venture such as development capital for up-market fully resident-funded retirement units.
- The **joint venture** strategy involves the ILU organisation seeking a partner in the provision of ILUs. This partner could play a number of roles: manage current stock on behalf of the ILU organisation; finance part or all upgrading of stock, reconfiguration of stock or redevelopment of sites. The expectations of the partner will be important to the outcomes achieved. A social investor, such as local government, state government, church or community organisations, and primarily seeking social outcomes may provide capital without expectation of ongoing returns on capital (though they may have some expectations in relation to target group, terms of the arrangement, management and shared equity). A private investor, such as a retail investor or institutional investor, would be seeking ongoing returns on the investment and/or capital gains. These expectations would change the target group for ILUs as ongoing payments would have to increase to meet these expectations.

4.4 Management and governance

Over recent years, many ILU organisations have transformed themselves in response to the new cultural imperatives such as the rights of residents, respect for and promotion of their independence and a recognition that many older people have active lives outside the retirement village. However, some organisations are only slowly becoming aware that their current style of management is at odds with these cultural changes. Some are only belatedly responding to this changing environment.

Key findings

First, as organisations, ILU organisations have diverse characteristics:

- ranging from stand-alone housing organisations to those providing a broad range of aged care services (in particular, residential aged care services)

- ranging from small organisations to very large and diverse organisations
- ranging from organisations managing a couple of units on a single site, or managing 20-50 units on a single site to, organisations managing units over a large number of sites
- diverse target groups, and
- diverse management arrangements.

Second, ILU organisations manage relatively small housing portfolios – 54% organisations manage less than 50 units

Analysis and key issues

Three broad issues are of note. First, ILU organisations are moving into a third phase. In the first phase, they established themselves as organisations and found the resources to construct their units. In the second phase, they consolidated their organisation and its administrative systems and, managed a stable and cohesive group of older persons as well as a housing stock in a good state of repair. The third phase is a phase of renewal where the organisation must forge a new role in a new environment. They must confront the challenges of renewing their stock and strategically planning their future. They need new skills to confront an array of complex issues.

Second, some ILU organisations are struggling to manage their ILUs properly:

- they lack a good knowledge of the primary legal framework under which they operate
- they have difficulty managing their broader legal responsibilities, and
- they have inadequate written policies and procedures

Moreover, they are struggling to meet the challenges of changing approaches to older persons and a new culture of the rights of residents.

Third, many ILU organisations are isolated from one another and from developments in the broader social housing sector.

Possible strategies and considerations

Three possible strategies are proposed.

First, ILU organisations need to address their capacity for strategic planning. They could collectively establish an asset management organisation with the particular skills required. Alternatively, they could amalgamate housing portfolios so that they can achieve a size where they can employ the required expertise.

Second, rather than operating under the Retirement Villages Act, ILU organisations could consider an alternate management framework. Community Housing Organisations operate under a management framework which does not require entry contributions. However, it does have other conditions and implications for ILU organisations.

Third, if ILU organisations are to continue developing, then they need to develop or tap into existing infrastructure support which will deliver:

- meeting places to share experiences, solutions and strategies
- education and training for volunteers and paid staff to build their knowledge, competence and skills particularly in tenancy management and asset management
- accreditation and codes of practices which assures both residents and other interested parties that the organisation is delivering quality services, and
- policy and systems development shared across organisations and, building upon the cumulative experience and creative innovations of these organisations.

4.5 Linkages with community care and other support services

As older persons age-in-place, the need for community care and other support services increases.

Key findings

- 42% of ILU residents are 80 years or more
- 25% residents in ILUs have occupied their units for 10 or more years
- 43% organisations indicated that 25% or more of their residents required assistance from others such as formal or informal support, practical assistance, personal care or home nursing

Analysis and key issues

Many organisations require that residents, as a condition of entry and continued residency, are able to live independently. But what does “independent living” mean today given the advent of Home Care, CACPs and even EACH?

With the advent of more community care services and an emphasis on “ageing-in-place”, the traditional emphasis on the capacity of residents to live independently has become increasingly irrelevant. The requirement that residents move to other services when incapacitated has become an infringement on the rights of residents.

Possible strategies and considerations

In this new environment, ILU organisations need to review their “independent living” policies and clarify their role in relation to support and community care services for their residents.

ILU organisations could take a number of approaches:

- (1) leave the issue of support and care to the residents themselves
- (2) provide low-level monitoring of residents
- (3) refer residents to services as and when needed
- (4) advocate for and broker services for residents
- (5) directly provide services for their residents.

(5) Summary and implications

The future of Independent Living Units (ILUs) for older persons provided by not-for-profit organisations is at a watershed. ILUs are a unique and particularly important social housing option for older persons with no assets or relatively low assets. At around 34,700 units Australia-wide, ILUs provide approximately 27% of social housing for older persons.

Over the next decade, ILU organisations face some major challenges:

- to reaffirm their vision and their mission;
- to find ways in which to regenerate their stock and meet the new expectations of older people and communities;
- to update their management and governance practices;
- to explore the potential, opportunities and disadvantages of linking ILUs and aged care services; and
- to adopt a more strategic approach to their future and respond to local housing needs.

Unless they meet these challenges, the number of ILUs will dramatically decrease with major implications for Commonwealth and State programs for older persons. Already some organisations

have withdrawn from providing ILUs. Others are seriously considering withdrawing. Others have not yet become attuned to the emerging issues.

ILU stock is not only ageing but in many instances no longer meets the current needs and expectations of older persons. For this reason, many organisations have been compelled to stop and reconsider their future role in providing independent housing for older persons. However, what is forcing the direction of decisions about the future is not so much the condition of their stock, but rather access to capital funds with which to upgrade, reconfigure and redevelop ILUs to meet the changing expectations.

Any extensive reduction in ILUs will have a dramatic impact on the housing options of aged pensioners, particularly those in the private rental market. Stable and secure housing is an essential pre-requisite if community aged care services are to sustain older persons in their homes longer. The Commonwealth Government as part of the National Strategy for an Ageing Australia has taken few steps, as yet, to address the housing options of aged pensioners in the private rental market. ILUs could play a major role in providing a stable and secure setting for the delivery of community aged care services.

Any extensive reduction in ILUs will also have a major impact on State Housing Authorities (SHAs) whose primary role is to meet the housing needs of this target group. Currently, SHAs face similar stock issues to ILU organisations – ageing, undersized stock in poor condition. Most CSHA funds are now committed to the pressing demands for the upgrade, renewal and redevelopment of SHA housing stock. There is virtually no capacity for SHAs to address the pressing issue of ILUs. Within the current fiscal environment they have little capacity to expand the supply of housing to fill the gaps left by ILU organisations. They have little capacity to assist ILU organisations to retain units in areas with very good amenity.

If left to them many ILU organisations will have no option but to withdraw their stock. I believe it is time that peak aged care organisations, Commonwealth, State and Local Government begin to work together and preserve this valuable resource. They have an important role in facilitating decisions by ILU organisations, facilitating their links with mainstream social housing and finding ways in which ILU organisations can access the necessary capital funds.

The Australian Housing and Urban Research Institute (AHURI) has already published one report of this project on their website. A second final report will be published later in the year. The AHURI website addresses is:

www.ahuri.edu.au/publish/page.cfm?contentID=30&projectid=103

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