

# Independent Living Units: A Social Housing Option for Older Persons

***Sean McNelis and Tania Herbert***

Swinburne Institute for Social Research and  
Swinburne-Monash AHURI Research Centre  
Mail H53, PO Box 218, Hawthorn, Vic. 3122  
Phone: (03) 9214 8887  
Email: smcnelis@swin.edu.au

## **Abstract**

*Public and community housing as housing options for older people with relatively low income and low assets are well documented. However, other not-for-profit organisations also provide housing for this group. Commonly known as independent living units (ILUs), they are mainly owned and managed by organisations within the aged care sector. As a significant housing option, ILUs add diversity and constitute one of the major policy responses to current and future changing socio-demographics.*

*Most ILU organisations and the stock they manage developed as the result of subsidies from the Commonwealth government between 1954 and 1986 under the Aged Persons' Homes Act. ILUs constitute the first phase of the retirement village industry.*

*This paper draws on a national survey of ILU organisations undertaken as part of an Australian Housing and Urban Research Institute (AHURI) research project. It highlights the importance of ILUs. It presents a national profile of ILU organisations. It discusses the implications of this data for the future of ILUs, noting that they are at a watershed. Over the next decade, the organisations face major challenges as they consider the future of their ILUs and whether they withdraw from managing ILUs. This will have significant implications for older people seeking social housing, for public housing providers, and for the delivery of community aged care services to older renters.*

## **Introduction**

A crisis is now emerging within housing for older persons in Australia. This crisis will primarily affect older renters, but also some older owner-occupiers with very low-valued houses.

The crisis has two dimensions: older renters and our collective response. These two dimensions form a context for this paper which focuses primarily on one aspect of

our collective response: the role of independent living units (ILUs) and their future as a social housing option for older persons.<sup>1</sup>

## Context

### *Older renters*

The most vulnerable group of older persons are those who have never owned their own home, have few if any assets and are renting in the private market. 92,000 older persons in Australia rent privately and pay on average 31% of their income in rent. This compares sharply with the average cost of housing for all older persons, which is 6% of their income. 35,000 older persons who live alone and rent privately pay on average 49% of their income in rent (Australia. Australian Bureau of Statistics, 1999, particularly Tables 5.2 and 5.3).

Given the ageing of the population and the reduction in the rate of owner-occupation, we can expect these numbers to increase quite significantly.

For those who rely upon the private sector for housing, retirement and the consequent drop in income brings with it a housing crisis. Many can no longer afford the rent. For a while they can rely upon their savings, if they have any, but basically they go in search of a place in which to age, usually a social housing option that is affordable and meets their values, needs and preferences.

The crisis for older renters is also deeply personal. Age can bring with it disabilities, loss of skills, isolation, frailty and vulnerability. It brings new opportunities and new perspectives. But it can also bring with it a tension between seeking security (in its many forms) and seeking independence.<sup>2</sup>

### *Our collective response*

The second dimension of the housing crisis for older Australians is the inadequacy of our collective response. Older renters have three main social housing options – public housing, community housing and ILUs – in all, approximately 127,700 units. Public housing is the largest sector (65%), compared with community housing (8%) and ILUs (27%).<sup>3</sup>

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<sup>1</sup> The term ‘independent living unit’ (ILU) is widely used in the aged care sector in Australia, and its use does not necessarily correspond with how the term is used in this paper. In this paper, it refers to units which have two characteristics: they are provided by NFP organisations, and they are targeted at older persons with relatively low income and low assets. Many but not all were constructed using subsidies from the Commonwealth government under the Aged Persons’ Homes Act 1954-84. In this paper, ILUs exclude private sector retirement villages, commercial retirement villages run by not-for-profit (NFP) organisations where the entry contribution is more than \$100,000, and social housing units funded through the CSHA. According to current Centrelink provisions, where a resident pays an ongoing contribution equal to or less than the ‘extra allowable amount’, they may qualify for rent assistance. The extra allowable amount is the difference between the non-homeowner and the homeowner assets tests. At November 2005, it was \$113,500.

<sup>2</sup> Policy makers and researchers have paid attention to older owner-occupiers and residents in residential aged care facilities, but have paid little attention to older renters. Thus, we know little about the characteristics, circumstances, perspectives and issues confronting this group, as highlighted by researchers reviewing the literature (McNelis and Herbert 2003; Jones et al. 2003, 2004; Aged and Community Services Australia c. 2004). A current AHURI project will begin to address this issue ([www.ahuri.edu.au/publications/projects/p20170](http://www.ahuri.edu.au/publications/projects/p20170)).

<sup>3</sup> See Diagram 1 for an overview of the older persons’ housing sector in Australia. Jones et al. (2004) provide a more detailed description of the social housing options available for older persons.

### **Public housing**

Public housing is the most extensive social housing option, with approximately 83,000 units for older persons in Australia. Since 1968 when the Commonwealth first provided funds to the states specifically for older persons' housing, this has been a target group of public housing (see, McNelis and Herbert, 2003; Kewley, 1973). These units are provided in a range of settings. For example, in Victoria they include high-rise towers located within larger public housing estates, stand-alone high-rise towers, walk-up flats in two to three storey complexes, and clusters of units.

But the traditional separation within public housing of family housing and housing for older people is no longer relevant. Many older people now live in what were once family units – in high-rise flats, walk-up flats and houses.

In recent years, public housing managers have undertaken a number of initiatives to improve older persons' stock. For example, the Victorian Office of Housing has upgraded existing units and reconfigured others by converting bedsitters into one-bedroom units. It has also sought to address older tenants' support needs by providing aged care packages specifically for this group. Indeed, where the Office of Housing has acquired new stock, it has given priority to housing for older persons.

For over two decades we have had substantial under-investment in social housing. Now, most if not all CSHA funds are or will be directed at upgrading and redeveloping existing stock, and some public housing managers face the prospect of having to sell stock in order to upgrade and redevelop other stock. As a result, it is unlikely that public housing stock will increase to serve the growing number of older persons seeking social housing options.

### **Community housing**

Since the 1970s, state Housing Departments developed joint ventures with community organisations and local government to provide housing for older persons. Around 10,000 units for older persons – just under one-tenth of the total – are managed by community housing organisations. But the expansion of community housing relies on CSHA funds, and again the funds available are very limited and the prospect of any significant expansion of this sector is low.

## **Independent living units**

### *An overview*

With around 34,700 units, ILUs are a unique and particularly important social housing option for older persons with no assets or relatively low assets (see, McNelis and Herbert, 2004a; Howe, 1992; Aged Care Australia, 1999). Over the next decade, ILU organisations face major challenges. Their stock is ageing and, in many instances, no longer meets older persons' needs and expectations. For this reason, many are reconsidering their future as providers of ILUs. It is not so much the condition of their stock that is forcing the direction of decisions about the future, but rather access to capital funds with which to upgrade, reconfigure and redevelop ILUs to meet the changing expectations.

Unless they meet these challenges, the number of ILUs will dramatically decrease, with major implications for older persons and for Australian and state government programs for older persons. Any extensive reduction will have a dramatic impact on age pensioners' housing options, particularly those in the private rental market; without stable and secure housing it is more difficult to deliver community aged care services, and demand for social housing on already stretched public housing managers will increase.

The importance of ILUs as a social housing option for older persons is hardly recognised by Australian and state governments or within mainstream social housing (public housing managers and community housing organisations).

### **A brief historical note**

Between 1954 and 1986, not-for-profit (NFP) organisations such as the RSL, Lions, Southern Cross Homes, Masonic Homes, Brotherhood of St Laurence and Country Women's Association received subsidies from 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 became involved in providing services for older people – first ILUs, then hostels and nursing homes. During this time, they constructed over 30,000 ILUs (see, McNelis and Herbert, 2003; Kewley, 1973, 1980; Dargavel and Kendig, 1986). This marked the first phase of the retirement village industry (see, Howe, 1986; Simmons, 1986).

In addition to Commonwealth subsidies, the organisations raised capital funds from public appeals, grants or leases of land from state and local governments, bequests and donations from residents. After 1986, when Commonwealth subsidies ceased, they 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 market value.

### **ILUs and community housing**

ILUs and community housing have important common characteristics. They are both provided by NFP community organisations. They both primarily target households with relatively low income and low assets, and their primary goal is to provide good outcomes for residents. Both provide supportive management and supportive environments for residents. Where required, they also link residents to other organisations providing community and support services.

ILU organisations and community housing organisations have parallel histories: what ILU organisations did in the 1950s and 1960s – seeking local solutions to housing problems; gathering energy and enthusiasm and concern; garnering the support of local communities, local government and local politicians; cobbling together the necessary funds; pulling people into committees – is the same as what community housing organisations (housing cooperatives and housing associations) did in the 1980s.

While community housing organisations provide housing solely on a rental basis, ILU organisations do so on both a rental basis and through residence agreements which

require some upfront ingoing contribution. Thus, there are two major differences between ILUs and community housing. First, they differ in the way they have raised finance capital. While community housing is largely funded through capital grants (and possibly loans), ILUs usually have a component of resident contribution, either an upfront donation or a capital or ingoing contribution in the form of a loan. Second, consequent upon their financial arrangements, they differ in their form of tenure. Many but not all ILUs are subject to licences-to-occupy provided under Retirement Villages Acts, while community housing is a residential tenancy provided under Residential Tenancies Acts.

**The distribution of ILU stock**

Table 1 provides an estimate of the distribution of ILUs between states. Further, to highlight their significance in each state, it presents data on the population of older persons and the number of ILUs per 1,000 older persons. 39% of all ILUs are in New South Wales/ACT. They are particularly significant in Western Australia where there are 32 per 1,000 older persons, but less so in Victoria and Queensland where there are 10 per 1,000 (see, McNelis and Herbert, 2004a).

**Table 1: ILUs by population of older persons for each state/territory**

State or territory	ILUs		Population of older persons		ILUs per 1,000 older persons
	#	%	#	%	
New South Wales/ACT	13,628	39%	828,800	36%	16
Victoria	6,207	18%	608,800	26%	10
Queensland	4,202	12%	408,400	18%	10
South Australia/NT	3,184	9%	216,700	9%	15
Western Australia	6,352	18%	200,800	9%	32
Tasmania	1,098	3%	63,900	3%	17
Total	34,671	100%	2,327,400	100%	15

*Sources:* Aged Care Australia (1999). Australia. Australian Bureau of Statistics (2002)

*Note:* Percentage totals may not add due to rounding.

ILUs can be particularly important at a local level. In some Victorian municipalities (where a local area analysis could be undertaken), they constitute more than 50% of social housing for older persons. Another interesting feature is that their distribution in metropolitan Melbourne indicates an offset between the location of ILUs and the location of public housing. ILUs are mostly in the east and southeast, while public housing for older persons tends to be in the inner city and the north and west (see, McNelis and Herbert, 2004a).

**A unique housing model**

The importance of ILUs lies not just in their number 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 models. However, across this diversity, some common but

particular characteristics distinguish ILUs from other social housing options. They provide segregated housing for older people and thus offer a sheltered community or village environment. They are predominantly cottages and in some states, notably New South Wales and Victoria, this is particularly important because the predominant form of public housing for older persons is flats. They are often located in areas with good amenity for residents.

ILU organisations not only provide housing but other services such as a meeting room, an emergency alarm in each unit and an on-site caretaker/manager. They offer a style of management which is attentive to residents' individual needs and to what is happening within a village.

Most 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.

### **A changed context over the past two decades**

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

Older persons now have higher expectations of their housing and living environment. As the status and value of older persons change, new approaches have been developed, and organisations providing services have had to change their culture and management practices. Most older persons want to 'age in place' in their own homes and communities. Community care programs such as Home and Community Care (HACC), Community Aged Care Packages (CACPs), Extended Aged Care at Home (EACH), linkages and community options continue to expand.

On the other hand, the priorities of the Australian and state/territory governments have changed. In the 1950s, 1960s and 1970s, ILUs had a higher priority for the Australian government but this has been overtaken by a particular focus on residential aged care and community care programs. ILUs have never been a priority for state/territory governments. Instead, since 1968 they have focused on providing housing for older persons through their public housing managers using CSHA funds. Most public housing managers seem to have little awareness or interest in ILUs and their potential.

ILUs are part of the retirement village industry but play second fiddle to the more vibrant part (both for-profit and NFP providers) which is expanding by gearing itself at older people with significant assets. ILU organisations now face competition from new private developers in rental villages for older people, for example, Village Life.

ILU organisations have also undergone extensive change over the past two decades. Traditionally, ILUs were part of a three-tiered system of care for older persons – independent living, hostel and nursing home. This system has broken down as substantial changes in residential aged care now require that access to these services is based on an aged care assessment rather than residency in an ILU. Where once ILUs were a prominent feature of ILU organisations, now residential care is the major focus, in particular, achieving accreditation and certification by 2008. In the national survey outlined below, 36% of organisations did not give ILUs a high priority, seeing them as just one of a range of services or a peripheral service.

ILU organisations have been subject to extensive changes in their legal responsibilities, with new legislation covering occupational health and safety, the new taxation system, residential rights (Retirement Villages Acts and Residential Tenancies Acts), privacy, corporate, financial and auditing requirements etc.

### **ILUs: a national survey**

In October and November 2002, the Swinburne-Monash AHURI Research Centre conducted a national survey of NFP organisations within the aged care sector providing independent housing for older persons throughout Australia. Its purpose was to fill an information gap and, in a more limited way, to identify changes, issues, challenges and strategies. It covered a broad range of areas: ILU organisations, their services, governance and priorities; housing stock; legal and financial arrangements; characteristics of occupants; management practices; and linkages with support services. The data from the survey included 172 organisations managing 14,554 ILUs. It is estimated that the data covered around 42% of all ILUs.<sup>4</sup>

The researchers also conducted a series of interviews, workshops and case studies, mainly in Victoria and New South Wales. Twenty-eight interviews were undertaken, some in person but most by phone with key people from ILU organisations, aged care peaks and Australian and state government officers. Five workshops with ILU organisations were held: three in Victoria (including one in a rural area) and two in New South Wales. Further work was undertaken with particular ILU organisations. These interviews, workshops and case studies complemented the national survey by exploring issues and challenges in more depth. They highlighted both the complexity of the sector and the differences between states.

The following discussion outlines key findings, issues and strategies around six critical areas:<sup>5</sup>

1. Housing market or target group
2. Housing stock
3. Financial viability
4. Management and governance
5. Linkages with community care and other support services
6. Ongoing development of the sector.<sup>6</sup>

#### ***1. Housing market or target group***

Their housing market or target group is a first-order issue for ILU organisations. It relates to their purpose and responsiveness to the needs of the local community.

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<sup>4</sup> For further information on the national survey, its distribution and coverage, see McNelis and Herbert (2004b).

<sup>5</sup> The extent to which an issue is relevant to any particular ILU organisation is variable as they are very diverse: some have actively dealt with these issues, some are currently dealing with them, some are dealing with them to varying extents, and some have little awareness of them.

<sup>6</sup> For more details on the results of the survey, see McNelis and Herbert (2004b), in particular, Appendix 4.

### **Key findings**

ILU organisations have multiple and diverse target groups. They target three general groups: 72% (managing 82% of ILUs) target pensioners who do not own their own home, 49% (managing 68% of ILUs) target pensioners who own their own home, and 47% (managing 72% of ILUs) target self-funded retirees. In the past, ILUs have been criticised (without evidence) for not housing low-income and disadvantaged older persons. The evidence from the national survey appears to contradict this, with most organisations and ILUs targeted at those who do not own their own home.

ILU organisations also have target groups which vary according to characteristics such as locality, ex-service personnel, ethnicity and religious affiliation. Only 10% target those who are homeless or have complex needs. Some have more than one target group.

The survey, interviews, case studies and workshops indicated that overall ILU organisations tend to accommodate what might be described as the ‘genteel’ older person, that is, those who can live independently, fit in with the culture of the village and present few problems for managers.

### **Analysis and key issues**

Many ILU organisations, notably ex-service organisations and rural organisations, have experienced a drop in demand from their traditional target groups. This seems to be associated with two general trends: older persons have higher housing expectations than the size and quality of ILUs being offered, and older owner-occupiers are remaining in their homes longer. In addition, the ageing of a specific population (for example, ex-service personnel) in some ILU organisations is increasing the demand for residential aged care rather than independent housing. This raises the question about their future housing market or target group.

Many ILU organisations appear unaware that the number of older persons with unmet housing needs is increasing, particularly amongst those who rent privately but only have limited or even no assets and can no longer afford high rents, and those who are homeless or have complex needs.

### **Possible strategies and considerations**

The primary challenge for ILU organisations is to reaffirm or revise their vision and mission in the light of their changing situation. One strategy is to investigate local housing needs and develop a greater awareness about demand from groups of older people outside their traditional target group. Through this process, they will also develop a greater awareness of the skills and linkages which enable other organisations to meet the needs of these groups.

For those whose primary target groups are pensioners who own their own homes or pensioners with some assets, the changing nature of their target group may highlight a major dilemma: either they redevelop their stock to meet the changing expectations of their target group, or they reorient themselves around a new target group.

## **2. Housing stock**

ILU organisations face major challenges in relation to their housing stock. It is primarily this issue which has forced many to reflect on their future directions and role.

### **Key findings**

The predominant size of ILU stock is one-bedroom units (63%). 57% of ILU organisations indicated that the majority of their stock is over 20 years old, 32% rated their stock as below standard, while 15% rated it as above community standards. They also indicated that 34% of ILUs require upgrading, ranging from 12% in Tasmania to 52% in Western Australia.

Already some ILU organisations have begun work on their current stock. 27% have reconfigured their stock over the past ten years, either extending or converting units, with 21% planning further extensions or conversions. Over the next five years, 67% are planning to upgrade or refurbish units.

Over the past ten years, 21% of ILU organisations have demolished 427 units, an average of twelve each. The major reasons were that units were too small or structurally unsound, or that the organisation wanted to redevelop the site on which they were situated. 27% of organisations are planning to demolish units over the next five years, with four planning to demolish all their units.

Fifteen organisations, most of them in Victoria, have transferred the ownership/management of ILUs to another ILU organisation.

Interestingly, 23% of ILU organisations are planning to acquire new units.

### **Analysis and key issues**

After 20, 30 or 40 years of operation, many ILU organisations have major issues with their stock. It is primarily this which has forced them to reflect on their future directions and role.

First, as a result of a major shift in older persons' expectations, ILU organisations not only have to upgrade dwellings to contemporary building and technological standards, but also have to meet higher expectations in relation to size, design, facilities and use. At the point where an organisation is making a decision about the future of its stock, it has to consider a range of complex and interrelated issues concerning both the dwelling and the site.

For example, in relation to the dwellings, it could ask the following questions. To what extent can they be upgraded to current standards, and at what cost compared with other options? To what extent do they have the capacity for future adaptations to meet changing needs (for example, ramps, grab rails, floor coverings, shower access), and at what cost compared with other options? To what extent do they have the capacity for easy and safe provision of support services? To what extent can they incorporate assistive technologies such as remote-control oven appliances, movement sensors and voice reminders?

In relation to site layout, the organisation could ask to what extent does it meet residents' needs and facilitate its integration within the local area and the use of local amenities by the residents.

For ILU organisations with small housing portfolios, upgrading and/or redevelopment of dwellings and sites not only raises questions about what to do and what is the most cost-effective course of action, but also presents inherent financial and property risks. Those with larger portfolios can spread their risks across more ILUs. Redevelopment of some sites is made more complex because they may be subject to encumbrances or

their status may be unclear. The Aged Persons' Homes Act made organisations subject to certain requirements, and some signed agreements that the site would continue to be used for housing older persons.

### **Possible strategies and considerations**

When the size, age and condition of their stock is no longer acceptable to new residents, ILU organisations have to think not only about the future of their stock but also about their future as an ILU provider. They could adopt one or more of a number of strategies. They could redesign and/or upgrade units (both internally and externally) where the stock is structurally sound, where the size of units can reasonably meet their target group's expectations, where this will provide units which can be adapted to residents' changing needs and support services' requirements, and where the life of the stock can be extended for at least another 20 years. They could redesign and/or upgrade the site (including additional units) where its layout can meet residents' needs, where it can be integrated into the local area and facilitate residents' use of local amenities, and where the utilisation of the site is reasonable. They could reconfigure stock where the site and the condition of stock allow for extensions or conversions which can reasonably meet their target group's expectations. Such reconfiguration is usually accompanied by the redesign and/or upgrading of both the units and the site. They could demolish units and redevelop the site with new ILUs where current units are structurally unsound, where their size, condition and age is such that they can no longer be upgraded to meet their target groups' expectations, and where the site is under-utilised. Many ILU organisations own sites which have increased in value and now provide opportunities for construction of units in good locations and with excellent amenity. Where all or part of the site is not appropriate for their purpose, they could sell part of a site and reinvest funds in the part retained, or sell some or all units on a site (either existing units or newly constructed units) and reinvest funds in developments on other sites.

### **3. Financial viability**

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

### **Key findings**

ILU costs are financed by two types of revenue: an ingoing or entry contribution by new residents and ongoing charges. The traditional forms of entry contribution can be either a donation or a loan. The national survey indicated that the portion of loan retained by the ILU organisation and interest on loan investments serve a number of purposes. It replaces the finance capital provided by previous residents, allowing the organisation to repay these residents. It is also used as capital for the long-term upgrading, reconfiguration or redevelopment of ILUs, particularly when a resident exits, as capital for a new ILU project for the new resident, as capital for other new ILU projects and even as capital for other building 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 and a high proportion charging less than \$50 per week. They use a broad range of methods to calculate the level of ongoing charges, but end up with similar results. These methods can relate the ongoing charges to both income and other factors such as the cost of providing the ILU, its size, the number of occupants, its quality and the additional services provided.

### **Analysis and key issues**

ILU organisations face key financial issues in two areas: their ongoing financial viability and access to capital. Conscious that many of their residents have very low incomes, many ILU organisations have relatively low ongoing charges. Thus they do not collect sufficient revenue to meet both the short-term and long-term costs of providing units and feel caught in the tension between providing ILUs which are affordable and maintaining their financial viability in the long term.

With residents' higher housing expectations, ILU organisations have had to increase the size of units and provide substantial improvements over and above the normal upgrading and refurbishment cycle, thus they face abnormal capital requirements. This may be further complicated by their liabilities for refunding previous ingoing contributions. ILU organisations not only face major demands for capital for their ILUs, but also for their residential aged care facilities.

The prevailing view among many is that the provision of ILUs is no longer financially viable. This runs contrary to the experience of both public housing managers and community housing organisations which provide housing to low-income households at concessional rentals.

### **Possible strategies and considerations**

ILU organisations could improve their revenue situation (subject to limitations imposed by legislative requirements) and maintain their financial viability without compromising their commitment to affordability. For instance, they could set ongoing charges and rents to maximise capture of Commonwealth Rent Assistance, which has increased significantly over the past two decades. This would have relatively little impact on their residents. They could also regularly (every six or twelve months) adjust rentals by small amounts, linking increases in ongoing charges and rents to the CPI. Some could adjust the basis on which they determine rents and base ongoing charges and rents upon residents' actual income (as in public and community housing), rather than upon the age pension.

Access to capital for upgrading, refurbishment, reconfiguration or redevelopment of stock is a little more complex, but organisations could adopt some combination of methods or strategies.

The traditional method – the resident-funded strategy – is to charge or to increase the level of resident contributions. Depending upon their capital requirement, this may significantly change the target group. For many ILU organisations, this is not an acceptable option because it makes it very difficult to target older persons with low income and low assets. Thus a variation on this strategy is to provide some units on a means-tested basis.

The extent to which this can be done will depend upon the extent to which the ingoing contribution can be increased on other units.

Accumulated funds and borrowings are two further strategies. Borrowing will increase the ongoing costs of providing ILUs and thus has its limitations. One estimate is that ongoing charges and rents based on 25% of the age pension plus entitlement to Commonwealth Rent Assistance can support around \$20,000 borrowings per unit.

The consolidation strategy involves a reduction of stock. An organisation could reduce or consolidate its portfolio by selling some or all of its units and use the proceeds to upgrade, reconfigure or redevelop retained stock or acquire units on new sites. Alternatively, it could demolish existing units, redevelop for an upmarket target group and dramatically increase the ingoing contributions for most applicants, but where possible provide some units 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 on maintaining existing stock.

A fifth method – the joint venture strategy – involves seeking a partner in the provision of ILUs. The partner could manage stock on behalf of the organisation, or finance part or all the stock upgrading or reconfiguration or site redevelopment. Their expectations will be important to the outcomes achieved. A social investor, such as local government, state government, church or community organisations, primarily seeking social outcomes may provide capital without expectation of ongoing returns (though they may have some expectations in relation to target group, terms of the arrangement, management and shared equity). A retail 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 be increased to meet them.

Finally, an ILU organisation might divest itself of some or all of its stock – the withdrawal strategy. Proceeds could be invested in residential aged care facilities or some other venture such as development capital for upmarket fully resident-funded retirement units.

Some of these strategies will maximise the number of ILUs retained for older persons with low income and low assets. However, they may be more difficult to sustain. For example, the use of accumulated funds, borrowings and joint ventures with a social investor would tend to maximise the number of ILUs. On the other hand, some strategies reduce the number of ILUs available for such persons, but may be the only way in which an organisation can raise the required funds, for example, through resident contributions (depending upon the level of the contribution), sale of stock, joint ventures with private investors or withdrawal.

#### ***4. Management and governance***

Many ILU organisations have transformed themselves in response to the new cultural imperatives where relationships are based upon residents' rights, respect for and promotion of their independence, and recognition that many have active lives outside the retirement village. Others are only slowly becoming aware that their current style of management is at odds with these cultural changes and are only belatedly responding to this changing environment.

### **Key findings**

ILU organisations have diverse characteristics. They can range from stand-alone housing organisations to those providing a broad range of aged care services (in particular, residential aged care services). Some are very small while others are very large. Their housing portfolios can range from a couple of units on a single site, or 20 to 50 units on a single site, to hundreds of units over many sites. Most, however, manage relatively small portfolios, with 54% managing less than 50 units. ILU organisations have diverse management arrangements – some rely solely on volunteers, some employ a worker part-time and some operate as a unit within a larger organisation.

### **Analysis and key issues**

ILU organisations are now moving into a third management phase. In the first phase, they established themselves 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 one 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.

Some organisations are struggling to manage their ILUs properly. The survey and subsequent discussions revealed that some lack a good knowledge of the primary legal framework in which they operate. Some were having difficulty in managing their broader legal responsibilities, in particular, implementing legislative changes over the past decade such as the introduction of the goods and services tax and new occupational health and safety standards. Some do not have written policies and procedures, while for others they are inadequate. Some rely upon older volunteer directors who have been in place for many years, with no plans to bring in younger directors to ensure continuity of governance.

As outlined above, the social, cultural and organisational context of ILUs has changed markedly. Some organisations are struggling to meet the challenges of changing approaches to older persons and a new culture where relationships are based upon respect for residents' diverse interests, varying capacities, right to independence, privacy and quiet enjoyment and right to age in place.

### **Possible strategies and considerations**

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.

Many ILU organisations require some form of ongoing contribution from some residents and so predominantly operate under the Retirement Villages Act in their state or territory. Most acts focus on protecting residents' financial assets, rather than their rights. As a consequence, agreements are often quite complex, other aspects of their relationship with ILU organisations are unclear, and not all acts provide for simple processes for resolving disputes. Community housing organisations, however, predominantly operate

under the Residential Tenancies Act in their state or territory. These tend to focus on the rights and responsibilities of both parties and provide a relatively simple process for resolving disputes. Tenancy agreements are also more generally understood. ILU organisations could consider and work towards this alternate management framework.

## ***5. Linkages with community care and other support services***

### **Key findings**

As older persons age in place, the need for community care and other support services increases. 43% of organisations indicated that 25% or more of their residents required assistance such as formal or informal support, practical assistance, personal care or home nursing. A number of other factors indicate that residents will require increased support services, as 42% are aged 80 years or more and 25% have occupied their units for ten or more years.

### **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?

With the advent of more community care services such as HACC, CACPs and EACH, together with an emphasis on ageing in place, the traditional emphasis on the capacity of residents to live independently has become increasingly irrelevant. The requirement that they move to other services when incapacitated has become an infringement on their right to age in place.

### **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. They could take a number of approaches:

- Leave the issue of support and care to the residents themselves
- Provide low-level monitoring of residents
- Refer residents to services as and when needed
- Advocate for and broker services for residents
- Directly provide services for residents.

Many have opted for the last option, directly providing community care and other services. This may ensure better direct control over where services go and it does solve some short-term problems. But is it the best option? By separating the delivery of housing and the delivery of support services, as is done in many European countries such as Denmark, the Netherlands and Sweden (see, McCallum, et. al., 2001; Pynoos and Liebig, 1995), ILU organisations could focus on providing a good housing service, avoid a conflict of interest between maintaining residency and providing support to the resident, avoid whole-of-life arrangements and allow for mutual accountability between support services and housing managers.

## **6. Ongoing development of the sector**

The preceding issues – target group, housing stock, financial viability, management and governance, and linkages with support services – are big ones for ILU organisations to tackle by themselves. Many have neither the skills nor the capacity to do so. ILUs have very little public profile and interest in them is minimal.<sup>7</sup>

### **Key findings**

Many ILU organisations are isolated from one another and from developments in the broader social housing sector, and have little contact with peak organisations. Within many larger organisations, ILU managers are on the outer because ILUs are just not a priority. Politically they are marginalised. The Australian government has ignored ILUs and their problems. Its primary interest in services for older people is residential aged care and community care. Most state governments have adopted similar positions.<sup>8</sup>

### **Analysis and key issues**

Most ILU organisations are small, employing fewer than three workers. Most do not have the skills to work through the complex third phase of their development. If there is going to be a future for ILUs, then it has to be built around collaboration. If they are to continue developing, then they need to establish a supportive infrastructure or tap into existing infrastructure which will facilitate collaboration between ILU organisations, between ILU organisations and peak bodies, and between ILU organisations and Australian and state governments. At this time, they do not have a peak organisation that could play this important role.

A peak organisation can provide a meeting place where members share experiences, solutions and strategies. It can provide and facilitate education and training for volunteers and paid staff to build their knowledge, competence and skills, particularly in tenancy management and asset management. It can facilitate accreditation and codes of practice which assure residents and other interested parties that the organisation is delivering quality services. It can develop policies and procedures as well as organisational systems which can be shared across members, building upon their cumulative experience and creative innovations.

### **Possible strategies and considerations**

ILU organisations could seek leadership for the sector from one of three sources:

- Retirement Village Association (RVA)
- Aged and Community Services Australia (ACSA) and its state members
- Community Housing Federation of Australia (CHFA) and its state members.

<sup>7</sup> For example, in February 2004 when the Southern Territory of the Salvation Army announced that it was withdrawing from providing aged care services, comments from government, peak aged care organisations and others focused on the residential aged care facilities. Consequently, it was this rather than the sale of 700 ILUs (10% of ILUs in Victoria) that attracted media attention.

<sup>8</sup> During the project, it was particularly difficult to find anyone within Australian or state government departments who knew anything about ILUs, their history and their importance as a social housing option for older persons.

The RVA is at the leading edge of retirement villages, that is, commercial villages targeted at higher income older people who can make lifestyle choices. It is likely that small NFP organisations with their particular target group and struggling in the third phase of management will find it difficult to fit into the RVA ethos.

ACSA and its state bodies are focused on residential aged care and community care. Many ILU organisations are not members of the state body. Some are members largely because they also manage residential aged care facilities or community care. While there is significant interest in retirement living options among members, specific interest in ILUs at the state level is variable.

The CHFA and its state bodies are a third option. Earlier, this paper highlighted the commonality and differences between ILU organisations and community housing organisations and their parallel histories. The awareness and knowledge of the ILU sector among community housing organisations is limited. On the other hand, the community housing sector is the focus of much energy and resources: Australian and state governments are investing in infrastructure, developing an accreditation and quality improvement framework, and promoting education and training programs for housing workers.<sup>9</sup>

## Concluding comments

The future of ILUs for older persons provided by NFP organisations is at a watershed. It is a watershed within an emerging housing crisis for older people with low income and low assets. For older renters, housing is a symbol of their independence and their link with their personal history and identity. Retirement poses a personal crisis as they seek a place in which to age. For many, their opportunities for better living will be severely constrained as neither public nor community housing has the capacity to provide social housing options for an increasing number.

ILU stock is not only ageing, but in many instances no longer meets older persons' needs and expectations. For this reason, many organisations have been compelled to reconsider their role as providers of ILUs. However, what is forcing the direction of decisions about the future is not so much the condition of the stock nor their willingness to continue providing ILUs, but access to capital funds with which to upgrade, reconfigure and redevelop ILUs. Over the next decade, ILU organisations face major challenges: a challenge of reaffirming their vision and their mission; a challenge of adopting a more strategic approach to their future and responding to local housing needs; a challenge of facilitating the ongoing development, not just of their own organisation, but of the sector as a whole; a challenge of finding ways in which to regenerate their stock and meet the new expectations of older people and communities; a challenge of updating their management and governance practices; and finally, a challenge of exploring the potential, opportunities and disadvantages of linking ILUs and aged care services.

It is only through collaboration – by ILU organisations working with other ILU organisations, by ILU organisations seeking out isolated ILU organisations and working with them, by ILU organisations working with peak bodies, by ILU organisations working with Australian and state governments – that this social housing sector will retain the much needed resources for older renters and develop into a stronger sector.

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<sup>9</sup> For example, Certificate IV programs and the postgraduate certificate and diploma courses at the Swinburne Institute for Social Research.

The process of engagement has to involve each ILU organisation in planning its future direction. There is no one solution – it will depend upon the housing stock and its location, the current residents, the strength of the organisation and the local opportunities. The process of engagement involves ILU organisations being accountable for their mission to provide housing for older persons, a mission which inspired their formation and continues to be indispensable today.

Unless Australian and state governments meet these challenges, the number of ILUs will dramatically decrease. Already, some organisations have withdrawn from providing ILUs. In February 2004, the Southern Territory of the Salvation Army announced that it was withdrawing from providing aged care services (Salvation Army, 2004). This included the sale of its retirement villages which provided independent housing for over 1,000 older persons, including around 700 ILUs. Other ILU organisations are seriously considering withdrawing. Others have not yet become attuned to the emerging issues.

Any extensive reduction in ILUs will have a significant impact on the housing options of age pensioners, particularly those in the private rental market. Stable and secure housing is an essential prerequisite if community aged care services are to sustain older persons in their homes longer. The Australian government as part of the National Strategy for an Ageing Australia (Australia. Minister for Ageing, 2001) has taken few steps, as yet, to address the housing options of age 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 public housing managers, one of whose primary roles is to meet the housing needs of this group of older persons. They face similar issues to ILU organisations, that is, ageing and undersized stock in poor condition.

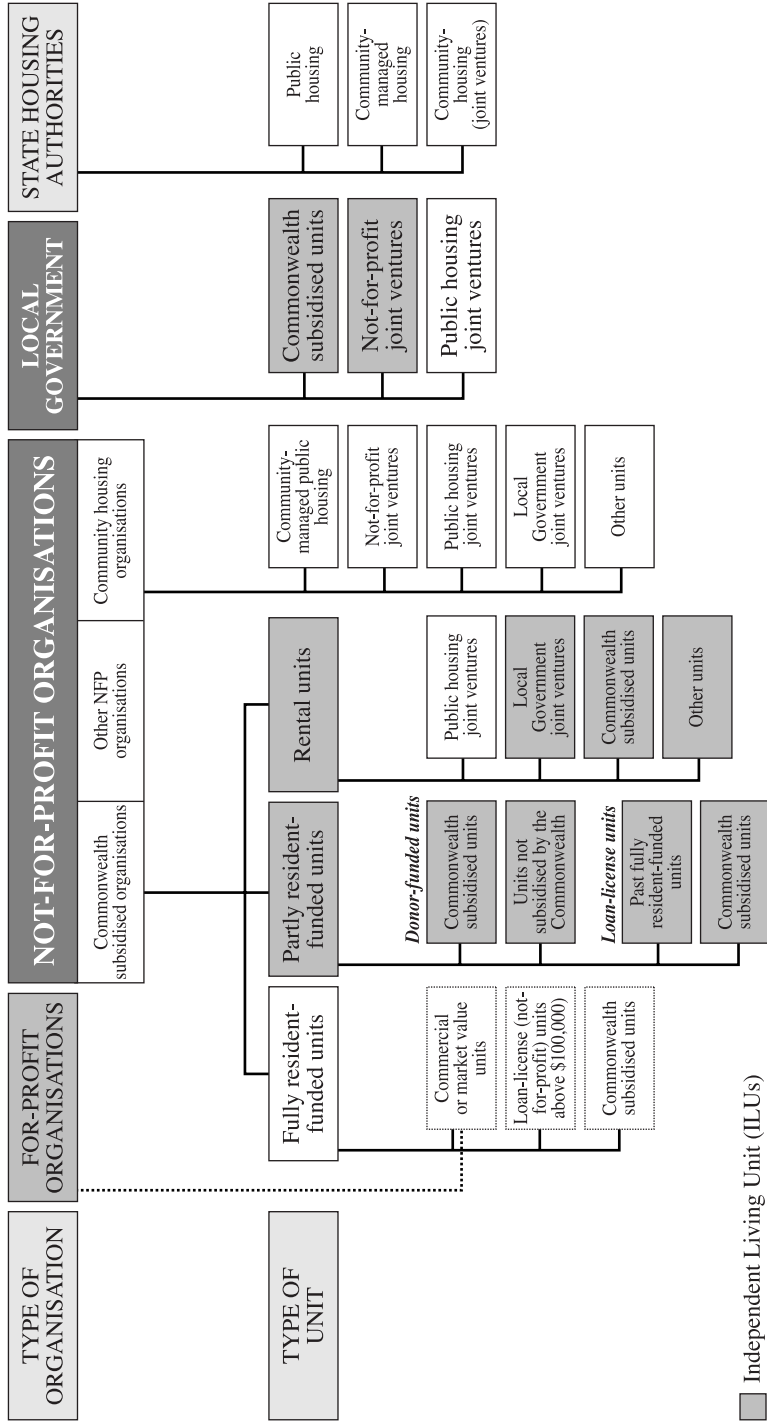
The importance of ILUs is recognised by older persons, by housing advocates within the aged care sector and by ILU organisations. Belatedly, aged care peaks are beginning to recognise their importance as a social housing option. Australian and state governments and many policy makers have, however, forgotten the importance of ILUs as a social housing option for older persons with low income and low assets. ILUs play an important role, yet their future is at a watershed. Their importance will increase as the housing crisis among older Australian renters emerges.

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Diagram 1: Older Persons' Housing Sector in Australia



■ Independent Living Unit (ILUs)