Community Housing
INDUSTRY ASSOCIATION

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CHIA
2020 Federal Pre-Budget Submission

Pre Budget Submission – CHIA Priorities for the 2020-21 Federal Budget

Executive Summary

CHIA is the peak body representing not for profit community housing providers (CHPs) across Australia. Our 170+ members manage a $40 billion-plus portfolio of more than 100,000 homes, housing people on low and moderate incomes who find it hard to access affordable and appropriate tenancies in the private market.

The Community Housing Industry Association (CHIA) welcomes the opportunity to outline CHIA's priorities for the 2020-21 Budget. Our priorities primarily focus on actions that would enable our members to further leverage the opportunity created through the establishment of the National Housing Finance and Investment Corporation, so as to assist in relieving high and growing levels of homelessness and rental stress across Australia.

Key priorities

1. Allocate resources to develop a ***10-year National Housing Strategy*** that incorporates plans to address homelessness and meet Indigenous housing needs
2. Invest in ***housing as essential infrastructure***:
    a. Capitalise on historically low bond rates to introduce a ***social housing acceleration program (SHAP),*** delivering 20,000 social and affordable rental housing units over three years.
    b. Dedicate resources in 2020 -21 to developing and establishing a ***recurrent Federal social and affordable program*** for implementation in 2021-22 that incentivises State and Territory co-investment and attracts private equity, such as the ***Affordable Housing Infrastructure Booster***.
    c. Use existing and new ***City and Regional Deal agreements*** to promote greater social and affordable housing provision through both inclusionary zoning and development uplift / value capture mechanisms, and through dedicated infrastructure project funding
    d. Contribute **$500K over two years** to funding the **research program of a Housing and Productivity Consortium.**
3. Foster the expansion of the community housing industry to deliver more choice for low income renters through:
    a. contributing $500K annually to a ***National Industry Development Strategy***
    b. ***enhancing the National Regulatory System for Community Housing (NRSCH)***
    c. Using the ***National Housing and Homelessness Agreement (NHHA) to secure better housing outcomes***
4. Set up a ***$20M grant program to support innovative housing first accommodation options for veterans*** who are homeless or at risk of becoming homeless.
5. Allocate ***$1M to establish a national research centre on contemporary housing for people with disability*** to measure outcomes, share technology and design innovations and promote best practice.

Pre Budget Submission – CHIA Priorities for the 2020-21 Federal Budget

Introduction

The Community Housing Industry Association (CHIA) welcomes the opportunity to outline CHIA's priorities for the 2020-21 Budget.

CHIA is the peak body representing not for profit community housing providers (CHPs) across Australia. The industry provides one in five of Australia's social rental properties, complementing public housing. CHPs manage a $40 billion-plus portfolio of more than 100,000 homes, housing people on low and moderate incomes who find it hard to access affordable and appropriate tenancies in the private market. Our 170 plus members include the largest (managing over 10,000 dwellings) to those with less than 100 homes. Our members provide a diverse range of housing for Aboriginal people, people with disabilities and the formerly homeless.

CHIA's submission is concerned with actions to address the housing need of lower income Australians. We also accept that housing affordability pressures exist for a broader range of households. CHIA's National Plan for Affordable Housing[1] sets out our position on supporting entry into home ownership and market products such as Build to Rent Housing.

Our key priorities for the 2020-21 Federal Budget build on the Commonwealth Government's progressive 2018 action to establish the National Housing Finance Investment Corporation (NHFIC) and the access to cheaper CHP financing options thereby enabled. An overarching goal is to further leverage NHFIC's potential to assist CHPs in relieving high and growing levels of homelessness and rental stress across Australia. The following points summarise the associated national challenge:

- As revealed in the latest official figures (2016) 116,000 Australians are homeless on any given night. Moreover, especially in capital cities, the past decade has seen homelessness rising far ahead of general population growth[2].

- More than half of the low-income households in rental housing – some 1.3 million people – face housing costs exceeding 30% of their income, leaving them without enough remaining funds for basic essentials like food and clothing[3].

- The private rental market has not supplied dwellings at rents (i.e. $202 or less per week) that are affordable to households in the bottom income quintile. While the market has supplied some homes at rates affordable to households in the second bottom quintile (i.e. at no more than $355 per week) the homes are increasingly unavailable to these households; being occupied by higher income earners.[4]

- in 2016, there was a shortfall of over 650,000 homes across Australia, affordable to households in the bottom two income quintiles. Accounting for projected household growth to 2036 more than 1 million additional homes will be needed to meet the needs of these lower income households over the next 20 years[5].

- Using the projected number of households in Australia (ABS 2015) the number of social housing dwellings per 100 households has declined from 5.1 per 100 households in 2007–08 to 4.6 in 2017–18. [6] No reliable figures exist on the additional new social and affordable homes currently planned but even on optimistic assumptions it is highly unlikely to exceed 10% of what is required. Factoring in the loss of affordable homes through both the expiry of incentives awarded under the National Rental Affordability Scheme (NRAS) and other time limited schemes, as well as continued public housing sales and demolitions, the net increase in social and affordable homes is likely to be barely above zero. Unless there is a change of course by Australian governments, social and affordable housing provision per capita will continue to contract, just as it has for the past 25 years.

There are, on the other hand, major opportunities that will flow from tackling housing unaffordability. Traditionally, housing developed and managed by CHIA members has been valued for meeting social needs by providing safe, secure and affordable homes to vulnerable and low waged households who cannot access suitable market housing. More recently, research evidence has demonstrated that government investment in social housing produces savings for other public service budgets.[7] Increasingly, the broader economic outcomes that flow from our work are being recognised, notably the positive impact on human capital and hence economic productivity[8]. (Pages 6-8 of our submission)

Investing in social and affordable housing has positive outcomes for the residential construction industry, a key part of the Australian economy and one of the country's major employers. The latest ABS private residential build data[9] show a 3-year trend of consecutive decreases in building approvals. The ABS expects the downward trend to continue. Apart from the impact this has on overall housing supply and thus whether house building keeps pace with population increases, the construction sector is a significant employer, and declining business will inevitably lead to more jobs being shed. Indeed, the November 2019 Australian Industry Group/Housing Industry Association Performance of Construction Index (PCI)[10] reports that construction sector jobs have now fallen for the 16th month in a row.

In the short-term, a downturn in overall housing supply can be (at least in part) addressed through a social housing investment program and, in the future downturns mitigated through a recurrent social and affordable housing investment program would protect the construction industry against downturns by introducing a counter cyclical economic component into the residential construction industry. (See ages 10-11 of our submission)

CHIA's submission summarises our key priorities for the budget, focuses on the benefits derived from tackling housing unaffordability for lower income households, explains why CHPs should play a prominent role and how new government investment in CHP-delivered homes could best be structured. Further information about the proposals is contained in the appendices.

1. Allocate resources to develop a 10-year National Housing Strategy that incorporates specific plans to (a) address homelessness, (b) meet the needs of all people with disability and (3) responds to Indigenous housing needs

2. Invest in housing as essential infrastructure:
    a. Capitalise on historically low bond rates to introduce a social housing acceleration program (SHAP). The aim should be to deliver 20,000 social and affordable rental housing units over three years. Subject to additional state and territory contributions and housing provider innovation, it should be possible to deliver an additional 5,000 social and affordable homes under this scheme. The program will also boost residential construction activity and employment in the building industry.
    b. Dedicate resources in 2020 -21 to developing a recurrent Federal social and affordable funding program for implementation in 2021-22. The program should be sensitive to variable development costs, incentivise other state and council contributions and attracts private institutional capital. CHIA has developed a program blueprint to contribute to a development process.
    c. Use existing and new City and Regional Deal agreements to promote greater social and affordable housing provision through both inclusionary zoning and development uplift / value capture mechanisms, and through dedicated infrastructure project funding
    d. Contribute $500K over two years to funding the research program of a Housing and Productivity Consortium.

3. Foster the expansion of the community housing industry to deliver more choice for low income renters through:
    a. contributing $500K annually to a National Industry Development Strategy to build the capacity of the community housing sector over the next four years.
    b. enhancing the National Regulatory System for Community Housing (NRSCH) by contributing resources to develop stronger national leadership, to establish independent and robust governance and to develop specialist regulatory expertise.
    c. Using the National Housing and Homelessness Agreement (NHHA) to secure better housing outcomes - negotiating with state and territory governments to transfer ownership of 50 per cent of public housing stock to CHPs by 2030 and reinstating a rental supply program.

4. Set up a $20M grant program to support innovative housing first accommodation options for veterans who are homeless or at risk of becoming homeless.

5. Allocate $1M to establish a national research centre on contemporary housing for people with disability to measure outcomes, share technology and design innovations and promote best practice.

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The problem Australia needs to fix

The scale of the housing affordability challenges facing lower income households has been starkly revealed by the Productivity Commission's recent report 'Vulnerable Private Renters: Evidence and Options'. This highlighted that most lower income renters experience housing affordability stress – i.e. housing costs exceeding 30% of income. Furthermore, almost half of these households in rental stress are likely to remain stuck in this situation for at least five years. As highlighted in the introduction, UNSW's City Futures Research Centre (CFRC) estimated in its report 'Filling the Gap', that by 2036 an additional 1,023,900 homes would be required to meet the needs of households in the bottom two income quintiles.

Infrastructure Australia in its 2019 Infrastructure audit[11] identified four key challenges facing the social housing system - the absence of sufficient affordable homes for households able to move on from social housing, existing social housing not meeting current needs, deteriorating property condition, and severe overcrowding in remote Indigenous communities.

The recent AHURI report 'The supply of affordable private rental housing in Australian cities: short term and longer term changes', estimated that in 2016 four out of five Q1 income renters were paying unaffordable rents with the proportion rising to almost nine out of ten renters in metropolitan areas. In the report which is the latest of a time series that has been running every five years since 1996 the researchers also found that 'there was an increasing trend in Q2 renters nationally paying unaffordable rents: this rose from 24% in 2006 to 36% in 2016'. In Sydney, 71% of Q2 renters were paying unaffordable rents. In all capital cities there is a 'spatial restructuring of rental housing markets' with more affordable homes in the outer suburbs and satellite cities.

Within these overall totals different segments of the population are disproportionally affected. Frequently overlooked are people with disability. While the government's Specialist Disability Accommodation (SDA) scheme will help create housing for around 28,000 people in the NDIS this is but a fraction of the numbers requiring affordable housing. The December 2015 AHURI report 'NDIS, housing assistance and choice and control for people with disability'[12] estimated there was an 'unmet need in affordable housing for between 83 000–122 000 NDIS participants at full rollout of the scheme in 2019'. Apart from ensuring that funding programs include specific targets for housing to meet these needs many current housing options available to people with disability are not fit for purpose. **Hence, we are proposing that the Federal Government allocated funding to promote innovation in housing for people with disability**.

Current and previous Federal Governments have taken steps towards creating institutions that could enable a significant increase in affordable rental housing. The investigation into 'innovative finance models' carried out by the Government's Affordable Housing Working Group (AHWG)[13] was instrumental in NHFIC's establishment. The low-cost finance options that have subsequently become available via NHFIC have reduced CHP interest payments. However, the resulting savings go only a short distance towards bridging the social and affordable housing funding gap[14] as acknowledged by the AHWG. That is, the difference between the cost of developing and managing affordable housing (land, construction, housing management and maintenance) and the income received (from rents and Commonwealth Rent Assistance).

CHIA has therefore recommended that Federal budget 2020-21 should include measures to contribute towards, bridging this funding gap.

The social, economic and productivity benefits from investing in social and Affordable Housing

Along with others operating in the housing and homeless sectors, we have long argued that inadequate provision of social and affordable housing negatively impacts welfare outcomes for lower income Australians. However, less has been said about the positive outcomes that flow from providing secure affordable housing.

CHIA's submission to Infrastructure Australia's 2019 Audit authored by A/Prof Christian Nygaard at Swinburne University[15] provides evidence of the multiple ways in which the provision of secure high quality affordable rental housing can result in expenditure savings for other public services. The findings highlight two dimensions of social and affordable housing as essential social infrastructure:

1. Social and affordable housing as an independent effect on the wellbeing, productivity and cost-reduction for individuals and society.
2. Social and affordable housing as a platform for unlocking additional individual and societal wellbeing, productivity and cost-reduction for individuals and society.

The report sets out the cash, public sector savings and monetary wellbeing equivalents of the wider social and economic impacts that can be unlocked through investment in social and affordable housing and expresses these as a proportion of the cost involved.

CHIA recognises that savings generated 'by' housing 'for' other public budgets are difficult to reassign to housing. However, for a government department such as the Department of Veterans' Affairs which oversees a range of health and welfare services and where a proportion of the individuals it assists require stable accommodation the potential savings should justify investment in targeted housing options**. CHIA has recommended a small grant fund to support innovative housing first approaches for veterans.**

In addition to the social benefits, we now have evidence that over-expensive housing also incurs negative impact on urban productivity. There is a growing body of research to demonstrate the ways that such impacts can be generated. These include an AHURI commissioned scoping study '*Making connections: housing, productivity and economic development*' (MacLennan et al. 2015).

Concerned about the housing affordability challenge in Sydney and its consequences for the growth and productivity of the metropolitan area, CHIA NSW initiated a research collaboration to further investigate these issues. On behalf of a partnership that has included NSW Government agencies, the private and not for profit sectors, CHIA NSW commissioned two reports by Professor Duncan MacLennan published through UNSW's City Futures Research Centre (CFRC).

The first of two reports 'Making Better Economic Cases for Housing Policies'[16] suggested that housing's weighty economic role is under-appreciated. Two categories of productivity impacts were identified:

(a) Constrained human capital

- the mismatch between housing and jobs and resulting in poor access to jobs, lower labour participation, health impacts on performance and less labour mobility
- high housing costs leading to lower living standards, with affected households also being frequently concentrated within specific neighbourhoods thus compounding disadvantage. These lower living standards being manifested in poorer educational attainment, health and well-being outcomes.

(b) Impacts of high house prices and rents on consumption, savings and investment.

The housing boom has:

- encouraged investment in lower productivity industries,
- locked up capital that has added little to growth and productivity but adds to rentier returns that constitutes a major distortion in the functioning of the economy that has both federal and state implications
- increased instability, as rising housing wealth results in increased consumption, and this is likely to be pro-cyclical spending that raises the amplitude of metropolitan economic cycles. This will increase instability and reduce productivity.
- There is likely to be a much more significant, and negative, effect on consumption when rising housing costs capture a disproportionate share of disposable household income.

HOUSING AND PRODUCTIVITY IMPACTS

The results show significant direct, or 'first round', productivity impacts across the city:

$2.26B (NPV) in travel time savings, of which $1.129B is used for travel-to-work journeys and increases the supply of labour;

$17.57B (NPV) in human capital uplift in terms of added household incomes associated with better job choices as a result of investing in affordable housing in more accessible locations.

Indirect, or 'second-round', effects that arise from these major first round gains are also substantial and are estimated at $1.36B (NPV) for travel time savings to be available for productive work and $12.23B (NPV) gains from more efficient labour market matching.

These direct and indirect benefits are estimated to come at a cost to government of $7.27B (NPV) - the cost of investing in

In the second report 'Strengthening Economic Cases'[17] the authors modelled how housing outcomes impact economic growth and productivity, with a particular focus on the Sydney metropolitan area. The productivity modelling exercise was based on an Economic Impact Assessment (EIA) which revealed strong, positive productivity effects from investing in better housing outcomes over a 40-year timescale that reduce commuting times and extend access to a wider set of labour market opportunities. The key results are outlined in the box above. While the results are specific to Sydney similar outcomes (if in some cases less dramatic) would be likely for other major Australian cities.

The scale of potential productivity gains from government investment in well-located affordable housing suggest an economic performance impact that compares very favourably to most other infrastructure investments, including transport investments. However, due to limitations in modelling capability these gains do not include the economic impacts arising from the excess housing cost burden experienced by many renters, and newer owners. The report

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estimated that the excess of rent payments over a 30% contribution averaged just under $6000 per household p/a, amounting to $1.8B p/a for NSW and absorbing an estimated $1.4B of Commonwealth rent support.

There remains much scope to develop wider and deeper insights on housing and productivity inter-connections, and to better understand how better housing outcomes affect the trajectories of the lives of individuals and the long-term wealth of cities. In collaboration with UNSW's City Futures Research Centre and other partners CHIA is currently assembling a housing and productivity research consortium to progress further research in this area.

In summary, we believe that evidence of housing system under-performance cannot be ignored. A clearer appreciation of the links between housing system performance and economic productivity would do three things:

- Articulate the productivity benefits that will flow from well-located and housing affordable to low and moderate income workers

- Stimulate a broader discussion on the actions Government could take to alleviate housing unaffordability (acknowledging that the solutions for tackling housing unaffordability are linked to household incomes).

- Enable a conversation about the relative merits of investing in affordable housing compared to other forms of infrastructure.

CHIA recommends that the Federal Government contributes $500K over two years to supporting research on housing and economic productivity via the Housing and Productivity Research Consortium

Community Housing as a Delivery Vehicle

The mainstream community housing sector has more than doubled in size over the past decade and now represents over 20 per cent of the social housing sector and 4 per cent of all rental housing stock. This has enhanced supplier competition and increased choice for low income tenants. Through leveraging its own capital and via public housing transfers, the community housing sector has shown it can manage large-scale financing arrangements and undertake significant property development in partnership with the private sector.

In New South Wales, CHPs are on track to deliver 2,700 new homes over the eight years to 2020 [18] In Victoria, the industry delivered 1,033 additional social and affordable homes across 95 projects between 2010 and 2019[19] .

Not for profit Community housing is a sustainable social housing model that lowers the direct cost to government of providing affordable housing to low income households. These CHPs are eligible for a range of tax concessions (on for example land tax and GST) that apply to both their procurement and operating costs and thus reduce cost of housing development. The not for profit business model also retains any surplus in the business for use on additional services or further development. A recent study revealed that holding 1,000 properties in state government management and ownership would result in a $30 million deficit after 30 years, whereas transferring the same number of properties to community housing would deliver a $40 million surplus over the same period, which could be reinvested to produce additional social housing.[20]

A report commissioned by the NSW agency, Landcom[21] and published earlier in 2019 assessed the financial feasibility of build to rent projects incorporating affordable rental housing, comparing the results from for profit and not for profit developers. They concluded 'there will be a significant advantage to governments layering in additional subsidy support to leverage existing CHP concessions (rather than for-profit developers)'.

With the right policy settings and support to build on what it has already achieved the community housing will double again — or more — in the next decade.

CHIA thus recommends fostering the sector's expansion through a range of measures outlined in the Appendix.

Appendix 1 Budget priorities – Additional Information

Allocate resources to develop a 10-year National Housing Strategy that incorporates plans to address homelessness and meet Indigenous housing needs

This budget submission focuses on actions that can be taken in the coming financial year and have a positive impact over the forward estimates. However, correcting the sub-optimal performance of Australia's housing system calls for more fundamental long-term actions; hence our recommendation that the Federal Government commits resources to developing a 10-year National Housing Strategy to tackle the supply and demand drivers of housing affordability in a coordinated way across all levels of government.

It is the Federal Government that has the central responsibility to lead policy in matters of national significance such as this, notwithstanding that many of the levers around planning and land administration lie with the states and territories.

The establishment of the NHFIC and the City Deals program are excellent examples of Commonwealth leadership around housing affordability. Through agreements with the states and territories - the National Housing and Homeless Agreement (NAHA) - the Federal government has the scope to incentivise positive change at this level of government. However, in the absence of a coherent, coordinated National Housing Strategy, it is unlikely that these measures will have the enduring impact, at scale, which is required.

A National Housing Strategy should contain clear targets for overall housing supply, and for homes that are affordable to households in all income quintiles. The strategy should also contain separate but fully integrated plans to tackle homelessness, the housing needs of Indigenous households and for people with disability.

The development of a national housing strategy will require dedicated resource, whether that is through an existing agency or department or through the creation of a new purpose-designed body. Reinstating something similar to the Housing Ministers Advisory Council to promote intergovernmental coordination and cooperation and mechanisms to enable wider stakeholder participation are also recommended.

NHFIC through its newly established research function is well placed to develop a robust and nationally consistent approach to housing needs assessment. There are international examples on which to draw. Reliable information about housing needs is vital for the production of not just national but also state and housing market / regional plans.

Invest in housing as essential infrastructure:

CHIA is proposing two housing investment programs. The first is time limited, designed to boost housing construction, retain jobs in the industry, increase social housing and be started in 2020-21. The second is a recurrent long-term program that incentivises institutional capital into community housing.

CHIA has developed outline proposals for both options. In both cases we have been concerned to devise a program that is affordable to government and at the same time, makes a noticeable impact by reducing the housing needs outlined earlier in our submission.

There may be scope for the AHWG to be reconvened to consider innovate funding (rather than financing) models.

Capitalise on historically low bond rates to introduce a social housing acceleration program (SHAP).

CHIA has put together a proposal for a short-term program to deliver 20,000 social (and potentially affordable) rental housing units over three years. Under our proposal Australian Government investment together with state contributions and support would enable not-for-profit community housing providers (CHPs) to deliver 20,000 social housing units. Leveraged against the resulting dwellings and associated future rental income, CHPs will raise private finance to further expand resulting housing investment. States and territories will be incentivised to either make equity investments in CHPs via land, or to sell land at a discount to CHPs and thus maximise dwelling output in their jurisdictions. It could work well targeted at specific City / Regional Deal areas.

The program will also boost residential construction activity and employment in the building industry.

While registered CHPs would be grant-recipients, they would commission private sector builders to deliver the housing and thus stimulate the construction industry too.

SHAP would be administered by a new arm of the National Housing Finance Investment Corporation (NHFIC) accountable to an oversight body reporting to COAG.

The cost to the Australian Government could be calculated as for the SHI through setting a fixed sum per property regardless of location or construction costs. However, recognising widely varying land values, a preferred alternative would be to set the grant at a proportion of total development cost. This approach would also more easily factor in other contributions of, for example, discounted land.

Dedicate resources in 2020 -21 to developing a recurrent Federal social and affordable funding program for implementation in 2021-22. The program should be sensitive to variable development costs, incentivise other state and council contributions and attracts private institutional capital.

There are number of program design options available to government including capital grants (Safe Places being a small-scale example); revenue subsidy type mechanisms (NRAS being a variant) and potentially interest-free loans. All are worthy of further consideration.

To serve as a basis for discussion CHIA together with a number of partners commissioned a scheme blue print. The blueprint was informed by the following key principles:

- A fund should be recurrent and sensitive to variable development costs, should incentivise other state and council contributions, and should attract private institutional capital
  - Scheme longevity is key, annual 'funding' allocations can vary

   - Support should be funnelled through registered CHPs subject to effective statutory regulation
- The program should work with / support
   - state and council co-investment
   - value capture and inclusionary zoning
   - redevelopment of public housing
   - cross subsidisation through market for sale
- It should be capable of effecting a measurable decrease in rental stress and homelessness.

CHIA's blueprint scheme, the Affordable Housing Infrastructure Booster (AHIB)[22] aims to generate dwellings to be let at least 20% below local market rents for 20 years, targeted to low and moderate-income households. The AHIB mechanism lets the desired housing outcomes and locations determine the financial boost that is provided so as to enable affordability, rather than the financial boost conditioning the type of housing and locations that can be provided. AHIB is responsive to variation in construction cost, land cost and local rent levels.

Like some international initiatives, AHIB involves a tax credit that CHPs can use to raise capital investors. This capital injection can help fund construction and thus reduces the borrowing requirement and debt servicing costs for an affordable housing project. The AHIB could also work well alongside a housing capital aggregation vehicle which could provide a pathway for pooling funding to secure interest from larger institutional investors. CHIA is collaborating with the Constellation Project to develop an aggregation vehicle model.

The modelling that underpins the AHIB demonstrates that a much higher level housing that can be retained, or re-invested, beyond the initial 20-year affordability period. AHIB is thus a vehicle for a long-term strategy to provide an infrastructure of affordable housing in Australian cities and neighbourhoods.

Unlike NRAS and some comparable international programs, AHIB does not operate with a priori determined annual levels of support or project level subsidies. Instead, registered providers tender for the boost required to service borrowing costs at prudential standards and to meet acceptable rates of investor returns. Registered providers can thus start by considering what type of housing is required where and then bid for tax credits to enhance the financial viability of the project.

The AHIB is designed to attract 'contributions' from other actors. This includes state and local governments - for example via granting of long term land leases or through the introduction of planning policy (e.g. inclusionary zoning) that supports affordable housing. Other contributions could come from philanthropic sources and via cross subsidisation from market sale or rental housing.

The AHIB could be developed slowly to provide 3,000 incentives in 2021-22, 5,000 in 2022-23 lifting to 10,000 in 2023-24

NHFIC could also use a proportion of its resources to co-ordinate a collaborative project to investigate and identify land that could be contributed (via discounted sale, long term leases etc) to social and affordable housing projects.

Use existing and new City and Regional Deals agreements to promote greater social and affordable housing provision through both inclusionary zoning and development uplift / value capture mechanisms and through dedicated infrastructure project funding

The City and Regional Deals program is ideally placed to create incentives for state and territory governments to reform planning systems and ensure that affordable housing is delivered as a fundamental component of urban infrastructure investment. However, at present City and Regional Deals have no explicit requirements to contribute to social and affordable housing provision.

Social and affordable housing should be front and centre of City and Regional Deals and housing representatives (from all parts of the housing sector) should be represented on City and Regional Deal governance structure.

To date the Deals have all involved substantial investment in new infrastructure which in most if not all cases will involve the rezoning and up-zoning of land. This provides an ideal opportunity for inclusionary zoning planning powers to be used to secure affordable housing outcomes.

With residential housing starts currently trending downwards and the construction industry shedding jobs, there is also an opportunity to use existing or forthcoming city and regional deals to drive increases in social and affordable housing. In areas such as (not restricted to) SE Queensland where housing stress has been raised as one of the most pressing issues during public consultation a specific housing deal supported by designated infrastructure project funding could boost jobs, support local industry and meet housing need. Delivery of a housing deal through the existing city/ regional program should allow for smoother implementation facilitated by the co-ordinated governance arrangements that are in place.

HOUSING AND PRODUCTIVITY RESEARCH

Productivity and employment effects of changing housing costs. CGE modelling of rising rents, bringing together the key results of R3 (below) and R4 could provide critical information for housing policy debates and choices in Australia on a recurrent basis

Demographic change, housing prices, wealth transfers and retirement savings in Australia. This would involve an expert team using modelling and simulations of potential outcomes. It would draw on the findings of earlier research projects, specifically R3 and R4, and provide a more sophisticated analysis of the likely outcomes of rising housing costs on these essentially interrelated matters which impact on wealth generation to support an aging population.

Contribute $500K over two years to funding the research program of a Housing and Productivity Consortium

Earlier we explained the housing industry-led work that CHIA (and CHIA NSW) have initiated to better establish the links between housing and economic productivity. Three stages have been funded using contributions from the private sector, government and not for profits.

The intention is to establish a Housing and Productivity research Consortium with membership drawn from the private and not for profit sectors, academia and government. A draft research program has been produced that proposes a suite of projects to address currently unanswered questions on the productivity effects of sub-optimal housing system performance. The *Extending Economic Cases* report[23] identified nine key questions that the program of research should address. The box above includes two examples.

The Consortium will raise funds for the program from multiple sources. Given the importance of the research to public policy the Commonwealth (potentially through NHFIC and / or Infrastructure Australia) should commit resources to supporting this work.

Foster the expansion of the community housing industry to deliver more choice for low income renters

Contributing $500K annually to an industry led National Community Housing Development Strategy to build the capacity of the community housing sector

The AHWG in its 2017 report 'Supporting the implementation of an Affordable Housing Bond Aggregator' recommended the updating of the existing National Industry Development Framework. While supporting this recommendation CHIA believes such industry development needs to be resourced. The associated work program also needs to be industry-led if it is to meet the sector's needs and ensure that it is well placed to drive the expansion of affordable housing supply and provide real choice to low income tenants.

Over the past decade, high-performing community housing organisations have responded to opportunities (both development and management) by ensuring that they are operating under the expert oversight of skilled boards of management. In the last year NHFIC has made available capacity grants to support individual providers in applying for NHFIC loan facilities. However, while such assistance is welcome these grants are not designed to drive sector growth or improvement.

The growth of similar sectors elsewhere has been underpinned by strong collaborative action and joint initiatives. Specific examples of projects that could be delivered through a National Community Housing Development Strategy include:

- Work to assist CHPs in harnessing the potential of technology and data analysis to drive performance improvement.
- Supporting the development of National Community Housing Standards – complementary to formal regulatory frameworks – to drive service excellence
- Improving the capacity of mainstream CHPs to engage with tenants with special needs, including those with disabilities, as well as in the delivery of culturally-appropriate services to tenants from culturally and linguistically diverse backgrounds, including Indigenous Australians
- Support for the 'nationalisation' of state / territory led initiatives
- Improvement in management information to support benchmarking and evaluation to drive continuous improvement strategies across the sector.

The investment required for industry development is modest in comparison to the significant asset portfolios under management across the sector and government contributions can be leveraged to secure funding from the community housing industry and other partners.

Supporting the strengthening of the National Regulatory System for Community Housing (NRSCH) by contributing resources to establish independent and robust governance and develop specialist regulatory expertise

Good regulation drives industry capability and improves the confidence of investors, governments and tenants in the quality of management and security of housing assets. The AHWG acknowledged so much in its 2017 paper by recommending the need to 'develop and implement a uniform and nationally applied regulatory framework'.
While the official review of the National Regulatory System for Community Housing (NRSCH) remains uncompleted at the time of writing we understand that it is unlikely to propose a single national regulator for all social and affordable housing (an option the sector as well as the AHWG supported); rather, it will provide options to strengthen the system's governance and regulatory expertise in specialist areas. CHIA recommends that the Federal government support the introduction of these measures by reinstating its original financial support to the NRSCH, as withdrawn from 2014.

Using the NHHA to secure better housing outcomes - Negotiating with the state and territory governments to transfer ownership of 50 per cent of public housing stock to community housing organisations by 2030 and reinstating a rental supply program

CHIA welcomed the introduction of the National Housing and Homelessness Agreement (NHHA) in July 2018. Through its provision of over $4.5B annually to the States and Territories the Federal government can exercise influence over the housing outcomes achieved. For example, the Commonwealth has the power to designate at least part of its annual funding to a rental supply program. This would restore the per-1996 status quo under which Commonwealth-State Housing Agreement funds were ring-fenced for additional social housing supply. Such a restoration would effectively require that states and territory governments step up their financial contribution to social housing in their jurisdictions.

The Commonwealth Government should also use the NHHA process to negotiate with state and territory governments to transfer ownership of at least 50 per cent of public housing stock to CHPs by 2030. By enabling CHPs to leverage these assets, title transfer would act as a catalyst for growth of social and affordable housing portfolios, would address the financial unsustainability of public housing, and would deliver lasting outcomes for tenants and communities.

Title transfers to CHPs maximise public value as providers combine their rental income with other government subsidies, tax benefits and private finance to provide additional low cost housing. Independent modelling in South Australia and New South Wales has been carried out to estimate what additional housing could be leveraged from title transfer. This is estimated at between 5 and 10 per cent of the total homes transferred, depending on the policy settings, and access to competitive financing and land. [24] By contrast, preserving the status quo will lead to further shrinking of the social housing system with ever decreasing rental income streams and negative outcomes for tenants. Owning the transferred properties allows providers to be highly responsive to the needs of tenants and communities by undertaking active portfolio management, including establishing pathways for tenants by integrating social, affordable and shared home ownership programs. It would also maximise community renewal outcomes through long term investment in neighbourhoods.

Set up a $20M grant program to support innovative housing first accommodation options for veterans who are homeless or at risk of becoming homeless

Research[25] completed in 2019 by AHURI for the Department of Veterans' Affairs (DVA) demonstrated that 'a much larger group of veterans than previously estimated experience homelessness. Estimates based on DVA- and Defence-funded administrative and survey data indicate that 5.3 per cent of the recently transitioned ADF population were homelessness in a 12-month period. By extrapolation, the number of contemporary veterans who experience homelessness over a 12month period is estimated to total well over 5,000.

At the same time the researchers found that well under half of those who reported experiencing homelessness had sought assistance from mainstream homeless service organisations and those who had sought help reported high rates of dissatisfaction with the services provided.

The strongest risk factors for veteran homelessness included higher levels of psychological distress during service; and relationship breakdown and unemployment following transition.

CHIA has been working with veterans' organisations and the DVA since the report's publication to identify options to address veteran homelessness. There are currently a small number of housing first type options that have been developed and show positive signs of assisting veterans to address in a stable, low cost and sympathetic environment.

By funding a small program, designed along similar lines to the DSS Safe Places Program, the opportunity exists to support additional options in key locations. CHIA is also working with DVA to explore the possibility to provide community housing staff with the resources to provide sensitive tenancy management to the veterans' community.

Allocate $1M to establish a national research centre on contemporary housing for people with disability to measure outcomes, share technology and design innovations and promote best practice.

Most of the current housing options available to people with disability are inconsistent with the aspirations of people with disability. Group homes dominate the market. This form of housing is associated with negative outcomes for residents such as isolation, exclusion and risks of and exposure to violence, abuse, neglect and exploitation.

While there should be a commitment that all housing funded through by the Commonwealth and States should meet at least Liveable Housing Design Guidelines standards CHIA believes that the Australian Government should drive innovation through allocating funding to a national research centre or hub that focuses on contemporary housing for people with disability. This centre / hub could:

- Provide support to test out design innovations and new technology
- Facilitate national and international knowledge and practice exchange
- Enable people with disability to be involved in the design process

- Review and evaluate new approaches
- Promote best practice

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