

Affordable Housing Working Group

Terms of Reference

Context

Affordable housing is that which reduces or eliminates housing stress for low income and disadvantaged families and individuals in order to assist them with meeting other essential basic needs on a sustainable basis, whilst balancing the need for housing to be of a minimum appropriate standard and accessible to employment and services.

There is currently a structural problem in Australia where the demand for affordable housing outstrips its supply, leading to lengthy social housing waitlists and some low-income households facing rental stress or being unable to retain housing at all. The problem is too big for governments to solve (and finance) alone, requiring a long-term market-oriented response, at scale.

Access to affordable housing (social housing and affordable private rental) has interactions with employment and other social outcomes. As such, deteriorations in the accessibility of affordable housing can have a negative effect on other areas, such as employment, welfare, health, justice and productivity.

State and territory governments are responsible for the service provision of social housing, in conjunction with funding from the Commonwealth. There are significant variations across jurisdictions including the amount of stock, level of maintenance, location and overall standard of the social housing stock and policies to support affordable private rental. Despite these differences, both the states and territories and the Commonwealth have a desire to improve the affordable housing provided to Australians, whilst also facing a constrained budget environment.

The rental system is central to a healthy housing continuum in Australia – and a very high proportion of people on low incomes rely on it. As such, the twin goals of maintaining a strong social housing safety net for those on the lowest incomes and in the greatest need, while also facilitating large-scale market investment in an affordable rental market, is the focus of this work.

Objectives

The Affordable Housing Working Group ('the Working Group') will:

- identify potential financing and structural reform models that increase the provision of affordable housing (social housing and housing in the private rental market) for those on low incomes;
- provide assessments of potentially viable proposals put forward by stakeholders; and
- outline the best method to progress further any models that are identified as potentially viable.

This work will culminate in a report by the Working Group to the Heads of Treasuries.

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The Working Group will report on the current state of affordable housing, focusing on both social housing and the affordable private rental market for low income households. This report will include the historical and current role that all levels of government play in its provision and the differences in approach between jurisdictions.

The Working Group will examine the feasibility of, and make recommendations for, how the states and territories and Commonwealth can progress innovative financing models to facilitate sustainable long-term private sector investment at scale to increase the supply and availability of affordable housing, including (but not limited to):

- capital provided at scale through normal market mechanisms such as bonds, for the purposes of creating an intermediate rental asset class;
- housing loan/bond aggregators, where an entity acts as an intermediary between the capital markets and the housing delivery system (primarily community housing providers);
- housing trusts, where existing housing assets are pooled together to attract private investment and improve management of the assets;
- housing co-operatives and mutuals, where residents may own a share of a dwelling alongside other community members;
- impact investing models, where investors are able to pursue opportunities that provide both social and financial returns through either direct investment in not-for-profit or social enterprises, or through alternative intermediaries; and
- social impact bonds, where the public sector issues a contract with non-government providers in which a commitment is made to pay for improved social outcomes that result in public sector savings.

In doing this, the Working Group will also consider the roles of governments, investors, the not-for-profit sector and other groups in the provision of affordable housing.

The Working Group may also consider alternative structural models that facilitate improved affordable housing outcomes, such as the role of community housing and housing associations in the provision of social housing and examine other regulatory changes, including planning and zoning changes, which would support the increased supply of affordable housing accessible to employment and services. This work would include consideration of the appropriate mix of tenant cohorts within social housing and affordable private rental, and more broadly within the wider community.

Process

The Working Group will undertake public consultation, and targeted stakeholder engagement, including roundtable discussions with key stakeholders in early 2016. Following this consultation process the Working Group will assess workable proposals put forward by stakeholders, including those from the not for profit, financial and government sectors to determine their workability.

In doing so the Working Group will draw on relevant local and international experience and consult with a range of stakeholders, including subject matter experts from across sectors, including governments, the community sector and financial investors.

The Working Group will also draw on submissions and proposals that have been made to other review processes in relation to affordable housing.

The Working Group will then develop its final report:

- having regard to the work of the Cities and Built Environment Taskforce, the Reform of the Federation White Paper and the Housing Supply Working Group;
- taking into account experiences in developing a social housing investment trial based on applicable social impact investment models, in coordination with relevant areas of Treasury and the Department of Social Services; and
- assessing and taking account of differences between states and territories.

The Affordable Housing Working Group will provide its final report to Heads of Treasuries by 30 June 2016.

Membership

The members of the Working Group will be:

- Commonwealth Treasury;
- Commonwealth Department of Social Services;
- New South Wales Treasury;
- Victoria Department of Treasury and Finance; and
- Western Australia Department of Treasury.

Jurisdictions will draw on the expertise of their relevant housing and planning departments.

External expertise will be engaged as appropriate.