



Community Housing
INDUSTRY ASSOCIATION



National Plan for Affordable Housing

How can we meet the challenge of housing affordability?

This paper sets out goals for a National Plan for Affordable Housing and targets to guide investment and action over the next decade.



Contents

3 - 4	Executive summary
5	Summary of strategies
6	Why is the community housing industry working on a plan for affordable housing?
7 - 8	The context
9	The aspiration – safe, secure and affordable accommodation for all
10	Goals and Targets
11 - 12	Roles for key players – all three levels of government, finance sector, property development industry, community housing
13 - 16	Commonwealth Government leadership <ul style="list-style-type: none">Where Commonwealth leadership or action is requiredLonger-term housing supply and demand modellingTaxation reformWorking with states and territoriesCommonwealth Rent AssistanceAttracting institutional investment to affordable housingA national regulator of affordable housingLifting affordable housing supply through City Deals and planning reformsSummary of strategies
17 - 26	State and territory governments <ul style="list-style-type: none">Taxation reformPlanning and developmentStrategies to contain escalating land costsImproving standards and security in the private rental marketSocial housingClear separation of the policy, funding and regulatory roles of government from deliveryAn equity partner and an equitable relationship with community housingSummary of strategies
27 - 28	Local government
29 - 32	Community housing
34	Finally
35	Glossary
36 - 37	References

Executive summary



Australia's housing affordability problem CAN be solved:

100,000 new affordable housing units by 2028

100,000 new social housing units by 2028

Enough housing to meet future needs, including expected growth

Homelessness halved by 2028

Australia's deep-seated housing affordability crisis has been allowed to develop over decades. The wounds inflicted across Australian society are deep and the scars left are long-lasting.

Those who have been hurt most are the old, the poor, the vulnerable — those often least able to protect themselves — and young people, who, it must be remembered, are our future.

The not-for-profit, community housing sector is unique in that it specialises in providing housing for these very groups of Australian citizens. We know them well and we know their housing needs, at the most intricate operational levels.

We cannot rely on current housing models and existing measures to solve what is a multi-layered and highly complex problem.

But we know this problem can be solved and that much of this is achievable within the next 10 years.

We do know that neither governments nor the private sector alone can deal with the complexity or scale of the issue. What is required is fresh thinking and a focused, concerted and sustained effort by all parties — all three levels of government and all three housing sectors — public, private and community housing.

A National Housing Plan

We propose a bold new National Plan for social and affordable housing be developed as a matter of priority, underpinned by specific strategies and real targets, to achieve four objectives:

- **enough housing to meet Australia's needs**
- **housing that is affordable for renters and home buyers on low to moderate incomes**
- **a national housing market that is efficient**
- **a diverse housing profile that suits people at different stages of life.**

Community Housing Organisations (CHOs) will play a critical role in this solution, by creating a co-investment/partnership ecosystem that will sit between governments and the private marketplace, ultimately delivering a national housing model supported by three efficient and sustainable housing sector pillars – public, community and private.

This is a profound shift that will open up new opportunities for government and community housing and significantly expand supply. In this co-investment model, the government contributes land and the community housing

operator borrows funds and takes the development risk, with the gains from development shared between the parties in proportion to their contributions.

The government balance sheet is protected because it can preserve its equity. In turn, the government's contribution of land reduces the borrowing cost to the community housing operator. This model can deliver 25-30 per cent more dwellings than would be achieved if government purchased completed properties from a developer. It also allows the community housing operator to build equity over time — which can then be invested into further affordable housing developments.

The role of the Commonwealth

To achieve this, Commonwealth leadership is imperative in four key areas:

- **policy**
- **funding**
- **regulation**
- **financing.**

The foundation of a good national housing policy is robust data on housing supply and demand. Reform of some tax policies and the Commonwealth Rent Assistance scheme will remove distortions in the housing market and re-balance assistance between home owners and renters.

Commonwealth leadership is required to reshape regulation of all social and affordable housing providers to ensure low-income tenants have real choice and access to quality services. Apart from the obvious moral and ethical imperative here, there is a direct correlation between stable housing tenancies and resilient economies and healthy societies.

Attracting institutional investment is critical to expanding the supply of affordable housing for people on low to moderate incomes. Investment will need to be complemented by contributions from governments to fill the funding gap between income-linked rents and real operating costs of housing lower income households.

The role of states and territories

Most states and territories are currently developing their own housing strategies. But as well as addressing the current, urgent need for social and affordable housing in their regions, these strategies must prepare for the extra four million people we expect to add to our population by 2028.

State and territory governments have a significant impact on the provision of affordable housing supply in four key areas:

- taxes and duties
- planning and development processes
- regulation of the private rental sector
- how they fund and manage their social housing assets.

Under the new National Housing and Homelessness Agreement (NAHA), Commonwealth, state and territory governments can work together with the community housing industry, private sector and local government to bring fresh thinking to how we solve housing affordability.

The role of community housing

The burgeoning and increasingly sophisticated, regulated, not-for-profit, community housing industry in Australia has been a quiet achiever — perhaps too quiet. In this experienced and highly professionalised sector lies a powerful piece of the long-term solution to Australia's housing affordability challenge.

Importantly, using the community housing sector to deliver affordable housing maximises the impact of the taxpayer's investment and ensures these assets are preserved for future generations.

Further, a National Housing Plan will provide the framework for an ongoing pipeline of building and construction during what could be challenging times ahead for those sectors and their workforces.

Setting targets

This paper outlines the methods and mechanisms needed to deliver specific housing outcome targets, including: delivering 100,000 new affordable and 100,000 new social housing units by 2028; reducing by 50 per cent the number of homeless in Australia by 2028; reducing the current proportion of low income households in rental stress by 30 per cent, ensuring that 10 per cent of the 2 million dwellings to be built over the next decade are affordable for people on low incomes, for rent and/or purchase; and the phased transfer of up to 50 per cent of public housing stock to community housing operators by 2028.

In the last 12 months, the United Kingdom, Canada and New Zealand have all recognised the need for and actioned bold, new, national housing plans to solve their own affordable housing crises. Australia now lags well behind on this necessary initiative. This from a country where, historically, rates of home ownership, stability of tenure and economic resilience have been the envy of most nations.

The time for Australia to act, and act nationally, is now.

Summary of strategies

The Commonwealth Government

- appoint a Federal Housing Minister with Cabinet status to drive reform
- develop a long-term national housing plan for Australia
- establish a National Housing Planning Council
- reform capital gains tax and negative gearing, and redirect the savings to increase the supply of affordable housing
- lead reform to promote competition and choice in social housing
- reform Commonwealth Rent Assistance
- include specific housing targets in the Closing the Gap Strategy
- lead further work with state and territory governments on filling the funding gap between operating costs and rental income from low-income households
- introduce a single national regulator of all social and affordable housing
- provide incentives for reform of land supply and planning systems
- make suitable government land available for affordable housing development.

State and territory governments

- place responsibility for housing in an economic portfolio
- adopt solid supply targets based on robust modelling of demand and supply
- make better use of planning tools to deliver affordable housing
- implement value capture mechanisms that deliver a social and affordable housing dividend when land is rezoned or permissions changed to create an uplift in value
- implement inclusionary zoning with a minimum target of 15 per cent social and affordable housing in all new developments on private land over a certain size, and 30 per cent where government land is sold, rezoned or otherwise made available for residential development
- replace stamp duty on residential property with land tax
- strengthen tenancy regulations to provide greater long-term security for renters
- make suitable government land available for affordable housing development, either free, at a discount to market cost, as leasehold land, or as an equity partner with community housing organisations
- transfer at least 35 per cent of public housing stock to community housing operators by 2021, and 50 per cent by 2028
- separate the funding and regulatory functions from the housing delivery functions in each jurisdiction

- apply the same regulatory requirements to all social and affordable housing delivery
- reframe the contractual arrangements with community housing organisations to remove impediments to increasing affordable housing supply.

Local government

- develop local government housing strategies to protect existing low-cost housing stock
- support affordable housing in land use policies
 - encourage diverse housing forms suitable for people at different stages of their lives
 - increase density in middle-ring suburbs.
- examine ways to use the planning system to support affordable housing
- identify land suitable for affordable housing
- contribute land for affordable housing as an equity partner, or on long leases, in developments with community housing organisations
- develop more efficient, transparent and equitable infrastructure funding mechanisms with the Commonwealth and state governments
- offer rates concessions to community housing organisations.

The financial services industry

- develop lending products that support shared equity home purchases
- improve accessibility of banking services and responsible home ownership products to all Australians, including Indigenous people
- educate itself about the benefit of doing business with community housing organisations.

The property development and construction industry

- bring more diverse and affordable housing product to the market
- use good design to improve liveability and reduce the lifetime costs of housing.

The community housing industry

- build on its proven success in using commercial approaches to meet its social purpose
- undertake co-investment or joint ventures with state and local governments as equity partners to increase affordable housing supply
- strengthen relationships with local government.



Why is the community housing industry working on a plan for affordable housing?

This paper begins to frame a national plan for social and affordable housing for the next decade. At the heart of the plan is the contribution that community housing can make to improving housing affordability, in partnership with government, and the finance and development industries.

The community housing industry is well-placed to play a central role in addressing Australia's housing affordability problem. Community housing supplies 3.3 per cent of Australia's rental housing.¹ This gives it a strategic advantage over the myriad of small investors who characterise the private rental sector and gives the community housing industry the opportunity to shape the future of housing in Australia. Our aspiration is that, within a decade, community housing will supply 10 per cent of the rental market and be the housing provider of choice for people on low and moderate incomes.

The sector owns or manages around \$30 billion in residential real estate, from which it generates over \$700m a year in rental income.² These assets are preserved for future generations in the regulated community housing sector through a strong social mission, the requirements of laws relating to charities, and legal instruments negotiated with state and territory governments. Channelling social and affordable housing investment through not-for-profit housing organisations maximises the impact of the taxpayer's investment because these organisations forego the usual developer margin and use taxation concessions to generate 25-30 per cent additional supply.³

In partnership with governments and the private sector, community housing offers new ways to think about how we meet Australia's housing affordability challenge.

The context

Australian cities and many regional areas are now some of the least affordable in the world. Comparatively high housing costs by international standards make Australia an expensive place to do business. The cities that are our economy's engines of growth are also the places where housing stress is greatest. Housing costs are arguably the single biggest driver of poverty and disadvantage.⁴ For households reliant on income support payments the situation is extreme — in 2018 less than 1 per cent of houses for rent in Greater Sydney are affordable.

While housing construction activity in 2016 and 2017 did keep pace with population growth, it was not enough to dampen the pent-up demand generated by years of under-building. Estimates of the gap between underlying demand for housing and supply range from 200,000 to 550,000, depending on how housing need is measured and over what time period.⁵ Focusing on home purchase affordability, the Grattan Institute suggests that building an extra 50,000 homes a year over a decade could reduce Australian house prices by 5 to 20 per cent below what they would otherwise be.⁶

“ **The community housing industry is well-placed to deliver a significant increase in affordable housing supply, but each level of government must play its part in supporting the industry's efforts to deliver a significant increase in affordable housing supply.** ”

However, the greatest demand is for rental housing that is both affordable and available to households on low to moderate incomes. Yet a recent Australian Housing and Urban Research Institute study shows that the supply of affordable rental dwellings has consistently fallen over the last 20 years, despite a 20 per cent increase in the overall housing supply.⁷ That higher-income earners occupy much of the low-cost housing compounds the problem.⁸ Almost half the low-income renting households in our capital cities are in rental stress.⁹

A comprehensive estimate prepared by Dr Judith Yates for the Council for Economic Development of Australia shows that Australia needs 20,000 extra affordable rental dwellings each year to address the backlog of need among those on low to moderate incomes.¹⁰ The cross-government Affordable Housing Working Group estimates that an additional 6,000 social housing dwellings are needed each year just to keep pace with population growth, noting that this will not address the backlog of need.¹¹ The cost of this 'standing still' strategy for social housing would be \$20 billion over the next decade.

There is no doubt that a longer-term aspiration of delivering an extra 500,000 social and affordable dwellings would have a dramatic impact on housing affordability. As an achievable first step, this plan proposes a minimum target of 100,000 extra social housing and 100,000 extra affordable housing dwellings to be delivered over the next decade.

A commitment to a pipeline of at least 200,000 affordable dwellings over the next decade would provide a solid platform from which to deliver further affordable supply beyond 2028.





Australia's housing affordability problem has developed over several decades and will need a long-term commitment to resolve. Even if half of all 220,000 new dwellings each year were made affordable and available to low to moderate-income households, it would take over five years of new supply to address rental stress among Australia's poorest households. Recent initiatives of the Commonwealth and state governments are, at best, a partial solution and unlikely to significantly improve rental affordability for low to moderate-income households.

Our social housing system no longer provides a safety valve for the over-heated private rental market. The 2016 Census shows the steady decline in the proportion of households living in social housing over 25 years, from 7.1 per cent of all households in 1991 to 4.2 per cent in 2016, a 36-year low.¹² We have one of the smallest proportions of social housing among Organisation for Economic Cooperation and Development (OECD) countries, despite greater affordability issues and faster population growth than many OECD countries.¹³

The only part of the social housing sector that is growing is community housing. Over the past decade, the leading players in the community housing industry have taken a more sophisticated and commercial approach to their business, while holding fast to their strong social mission. The results they have achieved offer a template for wider industry development. As the sector continues to expand, it will cement its position as the housing provider of choice

and offer genuine alternatives for tenants seeking quality affordable accommodation that meets their needs.

The community housing industry is well-placed to deliver a significant increase in affordable housing supply, but each level of government must play its part in supporting the industry's efforts to deliver a significant increase in affordable housing supply. Where deep subsidies are needed to provide housing to the most disadvantaged, governments should meet the full cost of provision. For affordable housing requiring shallower subsidy, governments can choose to either meet the full cost of supplying affordable housing, or create incentives for institutional investment in a new asset class of affordable rental housing, underpinned by stronger regulation of all providers of social and affordable housing. It must also find ways to share the benefits of rising property markets across the wider community.

There are simple reforms to the taxation, urban planning and development, and other policy settings which would support the investment that community housing organisations are making to expand the supply of affordable housing. Reinstatement of a rigorous housing supply forecasting capacity that can work across governments is essential for effective city and regional planning — and would give community housing organisations the information they need to deliver affordable housing supply close to transport, services and jobs.



The aspiration – safe, secure and affordable accommodation for all

Our aspiration for housing in Australia is clear: we want a society where all Australians have access to safe, secure and affordable accommodation that meets their needs and enables them to participate in the social and economic life of the community.

The community housing industry's aspiration for itself is equally clear: we want to be the housing provider of choice for households on low to moderate incomes.

These aspirations are challenging. The proportion of renting households has expanded to equal the proportion of households that own their property outright (30.0 per cent). And for households headed by someone under 35 years of age, an extraordinary 61.2 per cent are renting.¹⁴ For this cohort, we need improved pathways from renting to home ownership as well as better rental options. We also need a major rethink of our private rental market for those who will be lifelong renters, whether by circumstance or choice.

Almost all households on very low incomes will need a deep subsidy from government to access decent housing. Some may need a deep subsidy only for a short while, others for a lifetime. Other households

sandwiched between the inability to access social housing and unable to afford quality rental or home ownership may need some form of shallow subsidy spread across tenure opportunities. Households with special needs (for example, very large families, or those with physical mobility limitations) who cannot find suitable private rentals may also need a subsidy to secure accommodation. Whether this assistance is delivered in the traditional way through a dedicated property portfolio of subsidised housing is less important than achieving the result of secure, affordable, appropriate housing for low-income people when they need it. Helping people get back on their feet and become more independent is an equally important goal.

As Queensland Housing Minister Mick de Brenni said: 'Housing is about more than simply shelter. It's about people. It's about how we live, how we connect and how we build better neighbourhoods that support social cohesion and advance our enviable way.' We agree with Mr de Brenni – what he describes is exactly what community housing is so good at.

Goals

This plan for affordable housing has four goals for the next decade:

- **housing is affordable for renters and homebuyers, particularly those on low to moderate incomes**
- **Australia has enough housing to meet its needs**
- **our housing market is efficient**
- **our housing market delivers a diverse housing profile, to suit the needs of people at different stages through their lives.**

Targets

Targets have more than symbolic importance. Without targets, a plan is just a wish. If we are serious about fixing housing affordability, we need to be able to make informed decisions about the scale and nature of the investment required. We also need to track our progress towards the targets.

The first and most important target is that all levels of government work with industry, including community housing, to develop a National Housing Plan by 2020.

There are many factors that impact on affordability outcomes. Some are beyond the direct control of any individual agency within government — or any one level of government — and some are hard to measure. Debating whether these are the right targets, or if they are ambitious enough, will hopefully spark some good conversations about what we would need to do to achieve them. Sub-targets might help direct investment to the groups most affected by the lack of affordable housing, or keep attention tightly focused on particular strategies.

Housing is affordable for renters and homebuyers on low to moderate incomes

- > **the proportion of low income households in rental stress falls by 30 per cent by 2028**
- > **15 per cent of new developments with more than 20 dwellings are affordable for rent or purchase, and 30 per cent where government land is rezoned, sold or otherwise made available for residential development**
- > **at least 10 per cent of the two million dwellings to be built over the next decade are affordable, whether for rental or purchase.**

Enough housing to meet needs

- > **100,000 extra affordable housing rental units by 2028**
- > **100,000 extra social housing units by 2028**
- > **the rate of homelessness halves by 2028.**

Efficient housing market

- > **development assessment decision times match world's best practiceⁱ**
- > **new housing cost reduces by 15 per cent by 2028ⁱⁱ**
- > **rental vacancy rate is between 2.0 and 2.5 per cent.**

Diverse housing profile

- > **all new housing meets Liveable Housing Design Guidelines by 2023**
- > **the housing density in middle-ring suburbs rises by 5 per cent by 2028**
- > **35 per cent of public housing stock transferred to community housing by 2021 and 50 per cent by 2028.**

ⁱ Reflects planning efficiency and the holding cost of delayed development

ⁱⁱ Design, materials, size, construction methods, and planning regulations are among the factors affecting cost



Roles for key players – all three levels of government, finance sector, property development industry, community housing

There are two reasons why governments – at all levels – must act to improve housing affordability, particularly for those on the lowest incomes in our society. The first is that it is government policies that are principally responsible for exacerbating the market failure which renders lower-income households unable to find secure, affordable accommodation. The second is that affordable housing underpins broader economic and social objectives. Decent and affordable housing supports vibrant economies, enhances productivity, and supports well-being and cohesive communities. Since the lack of affordable housing is so closely linked to homelessness, financial stress, relationship breakdown and poorer educational and employment outcomes, the cost of not providing such housing will be substantial.

Housing affordability is not just a problem for individuals. It is a problem for the economy as a whole. Poor housing infrastructure reduces labour mobility and productivity, discouraging workers from migrating towards areas of economic development and job growth. Distortion of investment away from productive assets and towards excessive consumption of housing supported by higher and higher levels of household debt adds to financial and economic instability.¹⁵

Making affordable housing a priority is easiest when tax revenue growth is strong – and over the past few years, the stamp duty takings from residential property purchasers have never been higher. Redirecting stamp duty revenue to affordable housing as a critical part of state infrastructure investments makes good sense, as the ACT Government has shown.

“ The problem is not shortage of government funds, it is lack of will.

Alternatively, governments could debt-finance affordable housing and pay off their investment over time, in exactly the same way households do. Now is the time for state and territory governments to take advantage of extremely low interest rates to boost the supply of social and affordable housing, for example, through using their borrowing capacity to boost the supply of social and affordable housing, or by creating new funding instruments to tap institutional investment into affordable housing. Partnering with community housing will maximise the impact of that investment.

Commonwealth expenditure on housing is over \$70 billion a year, but the vast majority of this expenditure benefits home owners and investors through capital gains tax discounts and negative gearing (and no tax on the imputed rental income).¹⁶ Less than 10 per cent of that Commonwealth housing outlay is directed to renters through the Commonwealth-State housing agreement and Commonwealth Rent Assistance, the other 90 per cent provides subsidies to home owners. Now is the time to rebalance the books.

Housing activity has underpinned the stellar profits of the banking sector over the past decade. How banks distribute and price credit, particularly for housing, has a big impact on wealth inequality, which amplifies across generations. More responsible lending practices and active participation by financial institutions could do much to address Australia's rising wealth inequality. Examples of how this can be done include improving accessibility of banking services, developing new lending products to support specific groups into home ownership, for example Indigenous Australians, or to encourage new tenure opportunities such as shared equity, community land trusts, or affordable home purchase. The banking sector also needs to partner with the community housing industry to maximise the value of community housing's stable, long-term, low-risk income streams hedged against inflation.

The housing development and construction industry can make a big contribution to housing affordability by designing and building quality housing that people can

afford. For example, the average Australian home is 30 per cent bigger than the average home in the 1980s, although family size has barely altered over that time. Our houses are among the largest in the world.¹⁷ Further, almost a quarter of all households are single-person households, which influences both their capacity to pay for housing and the form of housing they need.¹⁸ It is time to re-examine whether we have the right incentives in place for property developers and the construction sector to bring more diverse and affordable housing product to market. Good design need cost no more but can make a huge difference to liveability and the lifetime costs of housing.

The community housing industry is also well-placed to make a significant contribution to improving the supply of affordable housing that is available to renting households on low to moderate incomes. The key to this is that community housing organisations can deliver 25-30 per cent more dwellings than would be achieved if completed properties were purchased from for-profit developers, because the community housing operator folds the value of the developer margin and its tax advantages back into additional supply. This lowers the direct cost of providing affordable housing to low-income households. And because community housing organisations manage their housing for the long term, they design and build homes that last longer and have lower running costs for tenants.



Commonwealth Government leadership

The biggest policy levers in the housing space are in the hands of the Commonwealth Government.

Monetary policy, which guides interest rates, prudential regulation of lending, federal taxation settings, migration policies, infrastructure investment, rental subsidies paid through the social welfare system, and home ownership grants, all influence housing demand and supply.

Low interest rates and high immigration have been leading factors in driving up house prices over the past two decades, especially in Sydney and Melbourne. Greater coordination is required between the Commonwealth Government, which controls demand levers such as immigration intake, and the state and territory governments, which must manage the flow-on impacts on housing and infrastructure. Transport infrastructure particularly is lagging well behind population and residential development in most of our cities. Coherent long-term population and settlement strategies need to be supported by the right housing policy settings and having the right infrastructure in place.

In matters of national significance such as this, the Commonwealth Government has the central responsibility to lead policy. The way our cities function and the shape of our broader settlement patterns directly impact on national objectives around economic growth, productivity and the environment.¹⁹ An important first step is to appoint a dedicated Commonwealth housing minister to drive policy settings, funding programs, reforms of land administration systems, planning and taxation policies across all levels of government to lift housing affordability. The second step is to advance the proposals in this paper by developing a long-term national housing plan for Australia in collaboration with other levels of government and the non-government sector.

“ A national housing plan will provide the framework within which governments and industry, including community housing, can plan and invest for the longer term.

“On the demand side, population growth in Australia – especially in our largest cities – picked up unexpectedly in the mid-2000s and it is only in the past couple of years that the rate of home building has responded. This imbalance was compounded by insufficient investment in the transport infrastructure needed to support our growing population. Nothing increases the supply of well-located land like good transport links. Under-investment in this area is one of the factors that has pushed housing prices up. Put simply, the supply side simply did not keep pace with the stronger demand side.”

Reserve Bank Governor Philip Lowe, speaking at a Reserve Bank dinner, April 4, 2017

Where Commonwealth leadership or action is required

Good data on housing supply and demand is essential if we are to make real headway on this problem. Rebalancing assistance between home owners and renters would be aided by reform of tax policies and Commonwealth Rent Assistance. Attracting institutional investment to a new asset class of affordable housing will require the Commonwealth to work with the states and territories on how to fill the funding gap between affordable rents and operating costs. Three other areas where Commonwealth leadership is needed are: improving choice and contestability in social housing; introducing a national regulator of all social and affordable housing; and, using gain-sharing approaches and incentives to achieve land supply and planning system reforms. These six strategies are discussed below.

Longer-term housing supply and demand modelling

Australia needs a National Housing Planning Council to help it deal with the impact of population growth. Adding almost 400,000 people a year to our population is creating huge challenges for infrastructure and housing.²⁰ Robust data on supply and demand down to local government

level is needed to support long-term infrastructure planning — and budgeting — by all levels of government to meet Australia’s changing housing needs.

Better forecasting of demand would also encourage investment by the construction industry in improving workforce skills and innovation, which would lift productivity across the construction sector. And it would give investors hard evidence of ongoing demand for affordable housing product.

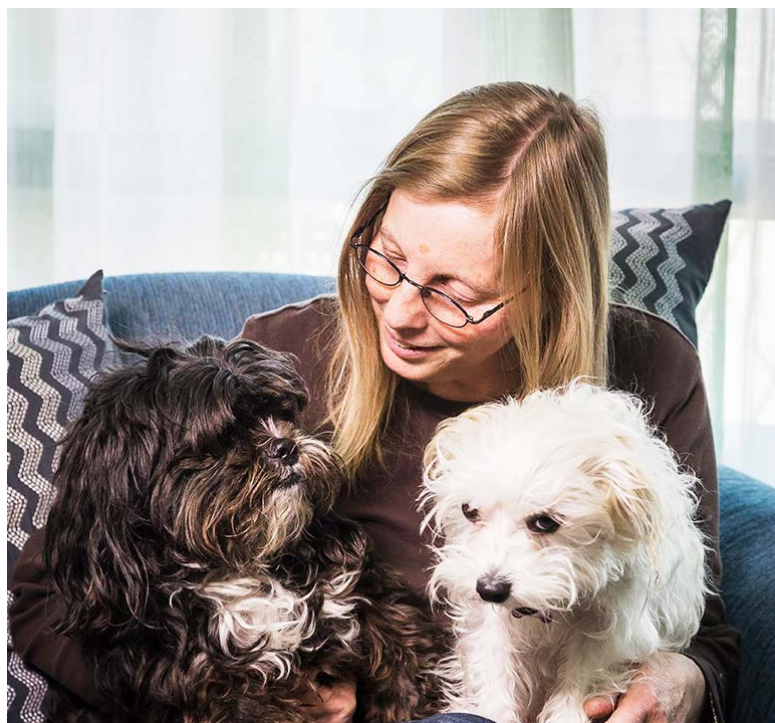
Taxation reform

The subsidies in Australia’s tax system currently favour investors over home purchasers, and home owners over renters, creating a context for substantial property-related wealth inequality and little evidence of good housing outcomes for the whole population.

Eliminating the bias in the taxation system towards property as a wealth creation vehicle is essential to address the growing inequality between those who have acquired property wealth and those who are unlikely to be able to ever buy their own home. The vast bulk of Commonwealth expenditures on housing assistance is directed to home owners. The capital gains tax exemption on owner-occupied housing costs taxpayers \$61.5 billion — and the 50 per cent capital gains tax concession provided to individual investors and trusts costs an additional \$9.6 billion.²¹ Negative gearing costs the taxpayer another \$4 billion a year. Collectively, these concessions dwarf the \$4.5 billion spent on helping low-income renting households through Commonwealth Rent Assistance and the \$1.34 billion of Commonwealth funding to the states and territories under the National Affordable Housing Agreement in 2016-17.²²

Redesign of the current housing-related tax instruments to provide incentives for more affordable housing is essential. This would help rebalance Commonwealth housing expenditures between home owners and renting households on low to moderate incomes seeking social and affordable housing. Gradually reducing the generosity of capital gains tax and negative gearing provisions over a decade would have only a modest impact on the after-tax return from housing investments.

Reform of capital gains tax and negative gearing would reduce the incentive for speculative investments in rising house markets, which serves to drive prices higher. By redirecting investment into more productive assets, these reforms would support sustainable economic growth and raise living standards. They would also enable the windfall gains from house price appreciation to be shared more fairly across the community. The savings generated could be redirected to increase the supply of social and affordable rental housing.²³



The primary beneficiaries of CGT discounts are owner-occupiers who also own at least one rental investment property. These households have an average taxable income of \$81,595 and a property portfolio worth \$726,438.

Renters, who neither accrue property-related capital gain nor directly benefit from a CGT discount, have an average income of \$30,844 per year.

AHURI Final Report 301, 2018

Working with states and territories

In 2009, the National Affordable Housing Agreement promised to improve affordability for both renters and home buyers by using all available levers to increase overall housing supply. Sadly, neither housing supply, housing affordability nor homelessness improved after that agreement was signed.

The new National Housing and Homelessness Agreement (NHHA) offers an opportunity for the Commonwealth, state and territory governments to work together to find a better way to provide short-term support to the ailing public housing system and increase the supply of social and affordable housing. This includes examining those recommendations of the Productivity Commission that would improve choice, contestability and equity in the social housing system. Reforms to address the level of subsidy needed and the optimal rent setting models in social housing should be undertaken in parallel.²⁴

Continued >



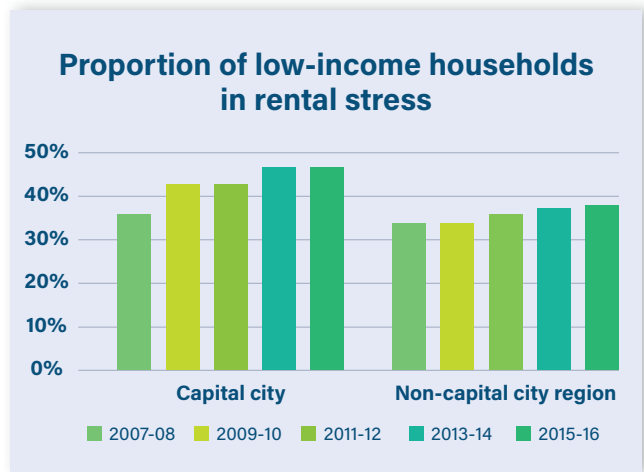
Three other reforms that the NHA can deliver to improve choice and competition in the social and affordable housing sector are: delivering better data on supply and demand, more capital funding to boost affordable supply, separating the conflicting roles of state or territory housing agencies, and delivering a substantial proportion of all social and affordable housing via the non-government sector.

The NHA also has a key role in redressing the poor housing outcomes for Aboriginal and Torres Strait Islander Australians. This group of households are half as likely to own, or be buying, their own homes as non-Indigenous Australians and twice as likely to be renting.²⁵ One in five Aboriginal and Torres Strait Islander households (21.5 per cent) live in social housing, compared to just 3.6 per cent of non-Indigenous households.²⁶ Aboriginal and Torres Strait Islander Australians are over-represented among the users of homelessness services and are much more likely to experience family violence than non-Indigenous people. And, in many remote communities, people continue to struggle with overcrowded, poor-quality housing.

It is critical that the next Closing the Gap strategy includes explicit housing targets. In turn, those targets must be reflected in the housing and homelessness strategies developed by states and territories under the NHA and supported by investment from both levels of government. This is essential if we are to close the gap in health, education, employment and other life outcomes.

Commonwealth Rent Assistance

The shortage of affordable housing impacts most on the households on the lowest incomes. In 2015-16, Australian households spent an average of 14 per cent of their gross weekly income on housing costs. For renting households, this climbed to 20 per cent. However, for low-income-renting households, 44 per cent paid over 30 per cent of their income in rent.²⁷ The chart below shows the consequences of failing to ensure that the overall increase in housing supply includes enough housing that is affordable and available to lower-income households.



Over the four years to 2015-16, the number of low-income households in rental stress grew more than twice as fast (19.4 per cent, or 97,419) as the overall number of low-income households (9.9 per cent, or 122,400). By 2015-16, 47 per cent of low-income renters in capital cities were paying more than 30 per cent of their income in rent.²⁸ Even outside the capital cities, the proportion of low-income households in rental stress is climbing steadily.

The main source of income for many low-income households is pension or benefit payments, which include a supplement for rental costs. The government has let Commonwealth Rent Assistance (CRA) payments drift away from the real rental market. Even after CRA payments, 41.2 per cent of renters on pensions or benefits pay more than 30 per cent of their income in rent. For those under the age of 25, one in four (24.1 per cent) pay more than half their income in rent after CRA.²⁹

Commonwealth Rent Assistance needs to be overhauled so that fewer than 5 per cent of people on pensions or benefits pay more than 50 per cent of their income in rent (in 2017, 13.2 per cent of pensioners and beneficiaries were in this situation).³⁰

The rate of Commonwealth Rent Assistance needs to lift by at least 15 per cent to align it more closely with rental costs, as made clear by the Productivity Commission. Better targeting of CRA to deliver higher subsidies to those on very low incomes paying higher rents may mean reducing assistance to households on higher incomes or increasing the minimum rent paid to qualify for CRA. Improving financial support to low-income renting households will ease demand for public housing and improve the viability of community housing organisations.

Attracting institutional investment to affordable housing

The establishment of the National Housing Finance and Investment Corporation (NHFIC), which will raise money in the capital markets to on-lend to affordable housing organisations through a bond aggregator, is a very

welcome initiative. It will raise cheaper, long-term finance for community housing organisations and it will draw institutional investment to support a new asset class of affordable rental housing.

However, on its own it will not be sufficient to resolve rental housing affordability. The further subsidy needed to meet the gap between operating costs and rental income from low-income households was estimated by the cross-government Affordable Housing Working Group to be around \$8,850 a year for a pensioner couple in 2017, after CRA,³¹ and the gap would be more in high-cost markets.

At the heart of the matter is the unavoidable fact that rents from people on low incomes are simply too low to cover the costs of housing them. In short, subsidised housing for people on low incomes (social housing) needs a subsidy from government. The Commonwealth Government should lead further work with state and territory governments on ways to fill this funding gap, for example, by making better use of under-capitalised land.

A national regulator of affordable housing

The existing system of state-based regulation under a model law is yet to evolve to the point where it supports a national multi-provider market for community housing, as was envisaged in 2012. The devolved structure and thinly resourced state-based regulatory units are taxed by the increasing complexity of financial and corporate structures that typify the modern community housing sector. The regulatory system has limited capacity to identify and address systemic risks and generally takes a 'rear-vision' approach to compliance. With additional resources, it could undertake the educative role that is a feature of most regulatory systems, which would both lift industry performance and reduce compliance costs for providers and government. This would be supported by re-establishing the National Community Housing Standards.

A single national regulator of affordable housing is required to replace the state-based system of community housing regulation. It must be established independent of state and territory policy and funding agencies and be given a charter to regulate all social and affordable housing, whether delivered by a government or non-government provider. The Commonwealth Government needs to re-engage in the system of national regulation.

Lifting affordable housing supply through City Deals and planning reforms

Australia's largest cities are important drivers of Australia's productivity. In 2015-16, our five largest cities contributed 65.5 per cent of Australia's Gross Domestic Product. Melbourne and Sydney contributed two thirds of that.³² As the Productivity Commission observes, when productivity

risers we all prosper, particularly with redistribution and social support policies in place.³³ How our cities function — including our major regional cities — has a direct bearing on national productivity goals, environmental sustainability, and the health and wellbeing of the population. The benefits of increased productivity flow to all levels of government, including the Commonwealth, through higher tax receipts and lower welfare outlays.

Under its Smart Cities Plan, the Commonwealth Government can require policy and regulatory reform as a condition of funding. It could make greater use of financial incentives to encourage other levels of government to address land supply and housing affordability issues, for example, through its City Deals program. The City Deals program is ideally placed to encourage state and territory governments to reform planning systems and deliver affordable housing as a fundamental part of urban infrastructure investment — including transport infrastructure, which is so critical to unlocking land for affordable housing. However, City Deals have weak incentives for collaboration between governments. Linking City Deals (or other infrastructure funding) to planning reforms that will meet affordable housing targets could motivate reforms, but would need to be matched by additional financial incentives from the Commonwealth.

Summary of strategies

- appoint a Federal Housing Minister with Cabinet status to drive reform
- develop a long-term national housing plan for Australia
- establish a National Housing Planning Council
- reform capital gains tax and negative gearing, and redirect the savings to increase the supply of affordable housing
- reform Commonwealth Rent Assistance
- lead reforms to promote choice and competition in social housing
- include specific housing targets in the Closing the Gap strategy
- lead further work with state and territory governments on ways to fill the funding gap between operating costs and rental income from low-income households
- introduce a single national regulator of all social and affordable housing
- provide incentives for reform of land supply and planning systems
- make suitable government land available for social and affordable housing development.



State and territory governments

State and territory governments have primary responsibility for housing delivery and there is no reason why they cannot act to fix Australia's housing affordability problem. Between 1958 and 1972, when Australia's population was around 12 million, state and territory governments constructed an average of 16,000 social housing dwellings each year. At that time Australia's per capita income was roughly a third of what it is now.³⁴ Yet over the last decade the average annual increase in social housing has been less than 20 per cent of what we achieved decades ago. If it could be done then, why not now?

In fact, state and territory governments cannot afford not to increase the supply of social and affordable housing. Housing is a major contributor to state and territory economies and residential construction directly contributes around 9 per cent to Australia's GDP. And for this reason, responsibility for housing affordability — for renters as well as home buyers — should reside in an economic portfolio.

Affordable housing in dense, more compact cities and supported by good infrastructure avoids productivity losses across the broader economy by minimising traffic congestion. The Productivity Commission estimates that the social costs of traffic congestion in our capital cities will grow from \$18.7 billion in 2014-15 to at least \$31.4 billion by 2030.³⁵ Even in a small city like Canberra, the ACT Government calculates that the cost of travel consumes 25 per cent of annual incomes.³⁶ This increase in living costs falls most heavily on lower-income households forced to live on the urban fringe because of the high cost of housing, where jobs are fewer. As the Productivity Commission observes, 'Many of these problems have been known for a considerable time. Left unaddressed, the efficiency of cities and their livability are likely to deteriorate.'³⁷

Most states and territories are developing housing strategies, as required under the National Housing and Homelessness Agreement. If they are to be effective, these strategies must address both the substantial need for social and affordable housing and prepare for population growth over the next decade and beyond. They must also look to remedies beyond the traditional social housing portfolios. Most critically, they must include solid supply targets informed by robust modelling of demand and supply.

Now is the time to act on the reforms identified by the cross-government Affordable Housing Working Group (2017) to grow the stock of affordable housing, including reforms to address the funding gap between rents paid by low-income households and the cost of providing housing. The Working Group split 'the most promising of these reforms' into two groups:

- better use of current social and affordable housing assets (including land) through inclusionary zoning, stock transfers to CHOs, supporting build-to-rent models and the use of affordable housing targets or levies
- government subsidies, including Commonwealth Rent Assistance, and cash incentives for affordable housing.³⁸

Four areas where state and territory governments have significant impact on affordable housing supply are: taxes and duties; planning and development processes; how they regulate the private rental sector; and, how they manage their social housing assets. The policy settings of state and territory governments will strongly influence the emergence of affordable housing as a new asset class for investors. Those policy settings also impact on the community housing industry's ability to deliver additional affordable supply at least cost to the taxpayer.

Deep Pockets

In 2016-17, the NSW Treasury collected \$9.8 billion from stamp duty on 228,000 property purchases.

That tax has been stuck at 4.0% since 1986 – then, the median stamp duty paid was \$1,500, now the typical Sydney buyer pays \$35,000 duty on a \$880,000 median-priced house.

Obviously, stamp duty makes buying a home dearer, especially for first-homebuyers. But stamp duty could also make housing more affordable – half the stamp duty collected in NSW would be enough to deliver 7,000 more social and affordable rental dwellings each year.

Taxation reform

State and territory budgets rely heavily on revenue from stamp duty on property transactions, but it is an inefficient, unstable tax that can deter people from downsizing or relocating to areas with more job opportunities. There is widespread agreement that the answer is to swap stamp duty for a universal land tax paid annually on all properties. This was proposed in the Henry Tax Review in 2010 and endorsed by the Productivity Commission report on Australia's productivity and by the Council for the Economic Development of Australia, the Business Council of Australia, the Property Council of Australia, the Community Housing Industry Association, and many others.³⁹

Replacing stamp duty with a broad-based land tax on unimproved land value would encourage more efficient use of housing stock by reducing the transaction costs of buying and selling housing. It would make it easier for aspiring home buyers by reducing the up-front costs of property purchase and see houses turnover more quickly.⁴⁰ Land tax would deliver a more even flow of revenue to state and territory governments without the volatility associated with stamp duties, and could boost GDP by up to \$9 billion a year.⁴¹

Phased implementation of the shift to land tax would minimise short-term fiscal, market and distributional impacts.⁴² For example, to avoid disadvantaging low-income households, the shift to land-tax should allow low-income households to defer property taxes and fund them from their estate at death or on sale of the asset, whichever comes first.

AHURI modelling of a universal land tax estimates that 46 per cent of the land tax revenue would be raised from land within 10km of CBDs where land is most expensive, while only 4 per cent of land tax revenue would come from the urban fringe. Since the impact of land tax would impact most on inner and middle-ring urban areas, this in turn may spur higher density development (to make better use of a valuable asset) which would assist in meeting housing demand in these areas. The ACT Government has shown what can be achieved with leadership, and political will.

There are other reforms to state-based taxation settings that could increase the supply of affordable housing. For instance, providing concessions on land tax where landlords rent properties through community housing organisations at below-market rents would make more affordable rental housing available. Similarly, the existing land tax settings discourage institutional investors from assembling large-scale rental portfolios that exist in other countries such as the USA and the UK (build to rent).⁴³

The Queensland Government collected \$1.4 billion in land taxes in 2015–16. Including exemptions, such as those for a primary place of residence, the Queensland Government provided approximately \$13.4 billion in land tax concessions and exemptions.⁴⁴

Leadership and political will on land tax

The ACT Government started a 20-year transition from stamp duty to a universal land tax in 2012.

It has shown that it is politically and practically possible to make the transition over a long implementation period.

While rates on a \$500,000 property increased from \$2,200 a year in 2012 to \$3,000 in 2016, over the same period the stamp duty on a home worth \$500,000 fell by more than five times that amount, from \$18,050 to \$13,460.

ACT landowners only start paying land tax if they have not paid stamp duty on their dwelling. Protections are also in place for those who would otherwise suffer hardship in meeting annual land tax payments.

Continued >

Planning and development

Significant improvement in housing affordability in our capital cities will only be possible if we address the drivers of escalating land costs. Over the three years to December 2017, median vacant lot prices in Brisbane rose by 18 per cent to \$412,000, not far behind the median lot price in Sydney of \$476,000, and \$436,000 in Canberra.⁴⁵ Land prices reached all-time highs in both Melbourne (\$359,000) and Perth (\$275,000) in March 2018.⁴⁶

There are many contributing factors that drive up land prices, including planning restrictions, limited land release and fragmented land ownership that makes it hard to consolidate parcels of land to a developable size.⁴⁷ Infrastructure charges capitalised into new land developments are also a factor. States and territories are generally responsible for releasing land for new developments, strategic planning for both metropolitan and regional areas, and the over-arching planning frameworks within which local governments operate. The planning system's primary objective is to ensure sustainable development — this deceptively simple goal requires planners to balance the sometimes competing interests of current and future residents, of home owners and renters, of economic growth and environmental protection, of urban renewal and preserving the heritage, character and amenity of our suburbs or towns.

Containing rising land costs demands action on several fronts: ensuring a sufficient supply of developable land, reducing the time and uncertainty associated with development applications that drives up holding costs, and ensuring that the appropriate infrastructure is in place to facilitate development.

Underpinning all of these is the need for long-term population and settlement plans — and the infrastructure investment to support our growing populations in liveable communities.

'Higher land prices mainly reflect restrictions on supplying more dwellings; much urban infill is limited by planning restrictions; and greenfield development at the urban fringe is often limited by slow release of land, planning approval delays, and uneconomic developer charges, particularly in Sydney.'

Grattan Institute, 2018

Strategies to contain escalating land costs

Maintaining a long-term supply of greenfield land sufficient to meet residential development demand is critical. During 2017, there were 132,600 new greenfield housing lots and new multi-unit/infill dwellings created across Australia's major capitals. According to the Urban Development Institute of Australia, Sydney's greenfield market responded to only 25 per cent of underlying metropolitan housing demand.⁴⁸ Similar pressures exist in Queensland, which has almost 15 years of broad-hectare land supply across the state, but not in areas where population growth is greatest; in Brisbane broad-hectare supply will yield only 1,732 dwellings in next the two years.⁴⁹ In Melbourne, the UDIA suggests that the bottleneck in approving new suburbs is partly explained by slow delivery of roads, sewerage and other infrastructure; the shortage in approved land is further driving up prices.⁵⁰

“ More efficient development approvals will benefit buyers, developers and governments

Lengthy development approval processes indicate inefficient planning processes and cause economic loss through the delay of growth-enhancing investment. Reducing the interval between the lodgement of a development application and turning the key in the door of the first home in a development will reduce holding costs for developers and should, in turn, lower prices. For this reason alone, improving the process efficiency of the planning systems should be a priority for state, territory and local governments.

Most states are reforming their planning systems to reduce restrictions on land use or to improve alignment between local, metropolitan and state-wide planning schemes.ⁱⁱⁱ

The Productivity Commission notes that planning and zoning reforms could save around \$1.5 billion a year by lowering costs associated with development delays, land holding costs, documentation and development risk. It recommends reducing complex planning restrictions, planning for growth, and taking a more risk-based approach to development approvals. A Reserve Bank of Australia report observed that development restrictions (interacting with demand) has contributed materially to the significant rise in house prices in Australia's largest cities since the late 1990s.⁵¹ These observations are consistent with estimates from the Centre for International Economics⁵² that the economic cost of land use restrictions in Sydney in 2013 was between \$665 million and \$1.3 billion a year.

iii Productivity Commission. Shifting the Dial: 5 Year Productivity Review. 2017. Victoria has reduced restrictions on the height and density of developments. Queensland has streamlined development assessment processes and legislated to align local development plans and state objectives. NSW has an integrated hierarchy of planning across the Greater Sydney region, reduced the number of State planning instruments and cut red tape for low-impact residential approvals. Its new code aims to increase the amount of medium density housing. Tasmania aims to replace 29 interim planning schemes with a state-wide planning scheme. South Australia will replace 1,500 zones and council plans with more coherent and succinct development rules. West Australia has adopted uniform processes for structure plans and local development plans.

Tackling approval times, cost and risk or uncertainty in the planning and development system could improve housing affordability overall, thus reducing pressure on governments to find new sources of funding for affordable housing.

Over the next decade around two million dwellings will be built across the country. One way to ensure that enough of them are affordable for either rental or home purchase is to establish this outcome as a central principle in urban planning and development policies.

We need clear planning mechanisms in place to ensure affordable housing is included when land is re-zoned or rules varied to allow for new residential or higher-density development. The principle that underpins this approach is that the community should share some of the lift in land value that is created when the permitted land use is changed or when planning regulations allow increased development.

Sharing windfall gains from rezoning

A plot of industrial land in Sydney's inner west was sold to a property company for around \$8.5 million in 2005. After rezoning to higher-density residential the site was sold again in 2012 for \$48.5 million. The first buyer made a 471% windfall profit — without building anything.

In 1994, the Montalto family paid 'a touch over \$1 million' for 264 hectares of farmland on Melbourne's fringe. Zoned 'green wedge', multiple houses couldn't be built on it. Rezoned for housing, it was sold in 2013 to Dennis Family Homes for \$353 million. Once carved into residential lots, the total value of land sales is expected to be \$1 billion.

Requiring a fixed percentage of affordable housing to be delivered as a condition of rezoning will not increase costs for other buyers but it will affect the size of the landholder's windfall gain. Developers will offer lower prices for the land, based on the mandated requirements for affordable housing.



Better use could be made of planning tools to improve housing affordability. These include:

- Allocating part of the revenue raised from value capture, betterment taxes and developer levies to fund affordable housing.
- Mandatory inclusionary planning requirements that deliver affordable housing for renter and buyers in developments over a certain scale.
- Boosting densities along transport corridors and in middle-ring suburbs.
- Limiting appeal rights and/or fast-tracking developments with more than, say, 30 per cent affordable housing.
- Making available suitable surplus government land for affordable housing.

Consideration should also be given to value capture, which aims to extract part of the capital gain arising from planning approvals or rezoning and re-invest it into infrastructure, such as affordable housing, for the benefit of the wider community. This would put affordable housing considerations on the same level as the other elements of sustainable neighbourhoods, such as open space, parking, or heritage conservation.⁵³ Value can be captured either as a monetary contribution or an in-kind contribution, for example a proportion of the units in a multi-unit development.

Continued >



Inclusionary zoning is one form of value capture. It typically requires a development project to incorporate a certain amount of affordable housing, or allows the developer to make a cash contribution so that the same amount of affordable housing can be provided elsewhere in the neighbourhood.⁵⁴ Most states and territories have some form of inclusionary zoning, but the planning requirements vary widely, as do the results. Mandatory inclusionary planning requirements are much more effective than voluntary arrangements, in part because clearer rules give more certainty to developers.⁵⁵

South Australia and the ACT are two jurisdictions that have rolled out inclusionary zoning with some success on government land. South Australia's mandatory inclusionary planning requirements delivered around 17% of all new housing supply as affordable housing in that state between 2005 and 2015.

In contrast, the planning incentive scheme in New South Wales has yielded about 1% of Sydney's housing supply since 2009.

In NSW, the City of Sydney has mandated a 2 per cent inclusionary zoning requirement, but only in specified developments. In Victoria, inclusionary zoning requirements are negotiated on a case by case basis, with a pilot program in 2018 to test inclusionary zoning on government land (in major developments inclusionary zoning applies on a voluntary basis).⁵⁶ Queensland proposes 5 to 25 per cent inclusionary zoning on public land.⁵⁷ While Western Australia does not formally support inclusionary zoning, it does aim for 15 per cent of affordable housing on all government land developed.

State and territory governments should implement mandatory inclusionary zoning with a default target of 15 per cent social and affordable housing in all new developments on private land above a certain size. Where government land is sold, rezoned or otherwise made available for residential development, reserving 30 per cent for social and affordable housing would address one of the major barriers to affordable supply — land.

“ Using the planning system in this way, it will be possible to deliver a significant pipeline of supply of affordable housing that keeps pace with our cities as they grow⁵⁸

For governments, this will mean being prepared to accept a lower price for the sale of government land as part of balancing the state's social objectives with its economic objectives — and squaring its responsibilities to guard the interests of both current and future residents.

Fast-tracking development applications for developments that involve a significant proportion of social or affordable housing — say, 30 per cent or more — is another simple way for state and territory governments to encourage additional affordable housing supply.

These approaches work best if they are consistently applied to all new developments, or at least to classes of developments in a consistent way. Developers will need sufficient warning of such changes to planning policies, so they can adjust their modelling. But with advance notice now, a social and affordable housing dividend can begin to flow from development activity in five years, or even less.

Delivering a social and affordable housing dividend from new developments via inclusionary planning or through other forms of value capture is, by no means, the entire answer to housing affordability, but it can make a continuing contribution. Whichever mechanisms are used, it is important that housing which is delivered as affordable in the first instance remains affordable over the longer term. Allocating housing (or an equivalent cash contribution) to community housing organisations, or contracting community housing organisations to manage affordable housing, are simple ways to ensure that the additional affordable housing supply remains available to lower income households for the longer term, since these assets remain within the community housing system.

Australia is made up of many different housing markets and the balance between the strategies suggested above would need to be worked through as part of comprehensive housing and planning strategies fitted to each local area. Some mechanisms will obviously be more effective or appropriate in some sub-markets and development contexts than others.

Improving standards and security in the private rental market

In comparison to equivalent developed countries, Australia has weak residential tenancy laws.⁵⁹ Since affordability is not the only factor driving demand for social housing, improving standards and security in the private rental market can reduce demand for social housing. A recent survey of over 1,000 renters revealed that many tenants live in accommodation that needs repair or fails to meet community standards. This is a state and territory responsibility that needs to be more closely regulated. There is an irony that the social housing sector is subject to regulatory oversight and performance reporting for less than \$1 billion of Commonwealth funding for housing under the National Housing and Homelessness Agreement while the private rental sector receives many times this level of annual subsidy through tax concessions, with minimal regulation or monitoring.

In a 2017 survey of the rental market, 83 per cent of tenants had a lease of less than 12 months, or no fixed term lease at all. Half of all renters had moved homes three times or more, including 19 per cent of those who had been renting for less than five years.⁶⁰ Frequent moves impose additional costs on tenants, potentially disrupt children's connection with school, and undermine community cohesion. One survey calculated the average cost to tenants of moving was \$3,402 each time, including the cost of a four-week bond.⁶¹ These are the unrecognised costs of housing. In the main, these costs fall on households on low to moderate incomes that struggle to manage lumpy expenditure such as this, even with the assistance of state-based bond assistance programs.

Stronger tenancy regulations would provide greater long-term security for renters in the private rental market,

There is clear justification for using the planning systems to support an increase in social and affordable housing.

Value sharing for affordable housing provision could legitimately target at least 50% of the uplift in land value created by planning decisions.

There is a case for a mandatory 1% of floor space contribution for affordable housing and this could increase gradually over time depending on need and contribution from other funding streams.

SGS Economics, 2018

increase their housing options and reduce the demand for social and emergency housing. For many, security is just as important as affordability. Careful consultation with stakeholders will be needed to ensure that stronger regulation does not lead landlords to withdraw their properties or spend longer looking for 'better' tenants to reduce risk.

Social housing

Social housing no longer provides a credible alternative to private rental for low-income earners. Public housing supply has fallen by 16,000 dwellings in eight years and 20 per cent of public housing stock has three or more major structural problems or lacks functioning facilities for washing, sewerage, or storing or preparing food.⁶² It is time to transform how social and affordable housing is delivered, renew broadacre public housing estates and make the most of this significant public asset to support economic development and better social outcomes.

Four strategies that will breathe new life into the ailing public housing system are:

- transfer at least 35 per cent of public housing stock to community housing operators by 2021, and 50 per cent by 2028
- make suitable vacant state government land available for social and affordable housing
- provide capital funds, no or low interest loans and other support to facilitate expansion of social housing by community housing organisations
- support regulatory reform to underpin continued growth of the sector.

Transferring public housing to the community housing sector provides the potential for significant benefits to tenants, the broader community and government. These benefits, however, are contingent upon an appropriate and transparent transfer process. The benefits include:

- new capital (through community housing funds) to upgrade ageing social housing stock
- an increase in affordable supply through community housing borrowing
- diversifying the provider model, building capability and resilience
- better quality housing and better support for tenants across all life stages
- more local housing offices to give tenants better service
- job creation in residential renovation and construction, as well as in the ongoing operations of the community housing organisations.

Continued >



M METRO

metlink

Pascoe Vale Station

Platform 1 City



Platform 2 Craigieburn



For people on low incomes in high-cost housing markets, the subsidy required from government will be substantial. Leaving the responsibility for providing deeper subsidies in high-cost markets with state and territory governments, rather than the Commonwealth, creates a virtuous circle that encourages those governments to consider other strategies to increase housing supply available to those on lower incomes, thus minimising demands on the social housing system. Some of these strategies are discussed elsewhere in this paper. They include better use of planning tools, the contribution of government land to facilitate the supply of affordable housing and the accelerated transfer of public housing stock to community housing, with title.

There is also a need to improve the sustainability of the social housing system, including through reform of rent setting models. The consequences of the current, uneconomic social housing system is evident in poor quality, ageing stock for which inadequate provision for replacement has been made. Much of this stock is no longer fit for purpose and fails to meet the needs of tenants.

A limited number of public housing tenants have aspirations and the resources to own their own homes and state and territory governments can help them achieve those aspirations, for example, through shared equity loans and rent-to-buy schemes. To avoid the further rundown of public housing dwelling numbers, governments should reinvest the proceeds of sales back into the affordable housing system (whether those sales are to tenants or to the wider public). An evaluation of the Melbourne Apartments Project that helped 28 public housing tenants into a shared equity home purchase reported that for every \$1 of cost to the state government the program returned \$2.19.⁶³

One group of particular concern is Indigenous tenants living in social housing, just two-thirds of whom report that their dwelling is of an acceptable standard.⁶⁴ Action is needed on several fronts as part of a coherent Indigenous housing strategy. Improving the supply of housing in both remote and non-remote areas will reduce overcrowding and improve amenity. Transferring state-owned and managed Indigenous housing properties to Indigenous Community Housing Organisations, with title, as the Victorian Government has done, can create long-term benefits for tenants and communities. Capital investment is also needed to support Indigenous Community Housing Organisations upgrade properties, bring vacant dwellings back into service and grow the capacity of those organisations to own, manage and expand their rental portfolios.

Clear separation of the policy, funding and regulatory roles of government from delivery

Being both a housing provider and the housing regulator creates a conflict of interest for state public housing authorities. A necessary step in creating a multi-provider model of social and affordable housing is to separate the regulatory function from the housing delivery function and apply the same regulatory requirements to all social and affordable housing, regardless of whether it is delivered by government, or a community housing organisation.

Currently, there is no state or territory where community housing organisations and public housing agencies have to meet the same regulation and performance standards and compete for capital funding or development opportunities on the same basis. This must change to create a true multi-provider system, giving greater confidence to tenants, financiers and the community.

In short, we need reform of the management, policy, regulation, funding and development of social and affordable housing across the country.

An equity partner and an equitable relationship with community housing

It is time to recast the relationship between state and territory governments and community housing organisations. Recasting this relationship as a real partnership with government, consistent with the central principles of civil society and sound financial practice, will deliver a far greater lift in the supply of affordable rental housing than has been possible under current contractual arrangements. The new relationship would be reflected in the way that governments contract community housing organisations to deliver housing services and in how the parties collaborate to deliver additional affordable housing supply.

An equitable relationship between government and provider would ensure that supply contracts reflect the true cost of providing housing and, where required, the true costs of other services such as tenancy support. Deeper subsidies must be provided where needed to house people on very low incomes or whose special needs require skilled support from community housing (or other) providers to secure or maintain tenancies. This is not about giving a handout to community housing organisations; it is about calibrating the funding model to cover the costs of providing quality services and housing outcomes for people on a range of incomes in different housing markets. In short, the cost of providing deeply subsidised housing is uneconomic for community housing organisations without a government subsidy to meet the gap between operating costs and income-linked rents. In turn, an appropriate funding model will enable increased supply of quality housing.

Continued >



Governments also need to remove long-standing barriers to increasing the supply of social and affordable housing, such as restrictions on how rental income from social housing tenants can be spent, or short-term leases that prevent providers making long-term plans. An example is requirements in funding agreements that surpluses be applied to projects within that jurisdiction. It is hard to imagine this sort of condition being imposed on a for-profit organisation.

Removing these contractual barriers to the free flow of capital may enable community housing operators to pursue development opportunities in other jurisdictions if they cannot deploy that capital locally because no opportunities stack up (for example, due to local shortages of labour or land, or the cost of finance). This would recognise that larger community housing organisations that operate across state borders will have a better overall risk profile because they are exposed to housing markets moving on different cycles.⁶⁵

Simple strategies like adopting longer-term service contracts with community housing organisations would support their investment in further developing their in-house capability, staff skills and technology platforms to enhance customer service.

The second expression of this new relationship would see government augment its role as a funder by becoming an equity partner with community housing in expanding the supply of affordable housing. There are many ways such equity contributions could be made, whether in the form of capital or land to deliver new affordable

housing developments, or through the redevelopment of public housing estates. Such partnerships would enable government to achieve substantial increases in affordable housing without gifting land or selling it at below-market value. The state balance sheet and credit rating would be protected. Community housing organisations would be able to accumulate equity over time, which would enable them to invest in additional affordable housing supply.

Other ways that state and territory governments can actively partner with community housing organisations include facilitating project financing for building affordable housing through interest-free or low-cost loans. Government commitment to long-term pipelines of affordable housing projects as part of public housing estate renewal will enable community housing operators to recruit and create career paths for staff with expertise in property development.

Returning profits to the community

Financial support from the ACT Government and the transfer of 132 public housing dwellings to Community Housing Canberra (CHC) was the seed that enabled CHC to deliver 500 affordable homes over 10 years.

A key feature was access to a \$50 million revolving loan that enabled CHC to access a further subsidy under the National Rental Affordability Scheme.

CHC returns profits from the sale of houses to the community through the addition of rental stock and creating housing initiatives. In 2018, CHC will redevelop a dilapidated ex-government home in Wanniasa into shared accommodation for five key workers.

Summary of strategies

- Place responsibility for affordable housing in an economic portfolio.
- Adopt solid supply targets based on robust demand and supply modelling.
- Make better use of planning tools to deliver affordable housing.
- Implement value-capture mechanisms that deliver a social and affordable housing dividend when land is rezoned or permissions changed to create an uplift in land value.
- Implement inclusionary zoning with a minimum target of 15 per cent social and affordable housing in all new developments on private land over a certain size, and 30 per cent where government land is sold, rezoned or otherwise made available for residential development.
- Replace stamp duty on residential property with land tax.
- Strengthen tenancy regulations to provide greater long-term security for private renters.
- Make suitable government land available for affordable housing development — free or discounted, or as an equity partner with community housing organisations.
- Transfer at least 35 per cent of public housing stock to community housing operators by 2021, and 50 per cent by 2028.
- Provide capital funds, interest-free or low-interest loans and other support to facilitate expansion of social housing by community housing organisations.
- Separate the funding and regulatory functions from the housing delivery function in each jurisdiction.
- Apply the same regulatory requirements to all social and affordable housing delivery.
- Reframe the contractual arrangements with community housing organisations to remove impediments to increasing affordable housing supply.



Local government

While local government has limited financial capacity compared to other levels of government (it receives just 3.5 per cent of all tax revenue raised in Australia), it has a key role to play in improving housing affordability.⁶⁶ Housing represents a large part of most local government budgets; it is a major component of the local government revenue base and drives demand for services. Encouraging housing growth is a well-established strategy for bringing economic development and income-growth within a region.⁶⁷ However, although local government plays a lead role in housing affordability, it is not always invited into the inner circle of decision-making on housing policy.

Local governments are responsible for developing and implementing land use plans at the local level, within the policy framework and strategic plans set by the state government. They also process most of the development applications. Depending on the jurisdiction, local governments have varying degrees of influence and control over development outcomes. Councils may have limited capacity to influence general housing affordability, but they can influence where and what housing is built — and when. Councils plan and regulate the type, location and amenity of housing. All of these aspects influence housing affordability.

Port Phillip Council is implementing a commitment to deliver over 500 affordable dwellings.

There are 567 local government authorities across Australia. If a quarter of them took up the challenge to match Port Phillip Council's example over the next decade, this would deliver an additional 70,000 affordable dwellings.

A 2018 survey of 200 councils confirms that housing is a critical issue for many local governments, with half of all metropolitan councils assessing it as a very substantial or substantial issue. Even 26.6 per cent of non-metropolitan councils described housing affordability as a substantial or very substantial issue. Housing issues were discussed frequently or very frequently in 38 per cent of councils, but almost half reported that their council gave the issue very limited or little attention. Few local governments set specific housing affordability targets for their council area. While many local governments regularly review their land and assets to identify opportunities for affordable housing development, 38 per cent do not. Only 35 per cent of

respondents reported that their council had used its land assets to leverage affordable housing opportunities.⁶⁸

Councils have a range of options to promote housing affordability within their local area, beginning with a housing affordability plan. Yet 39 per cent of metropolitan councils and 61 per cent of non-metropolitan councils do not have a housing strategy, policy or plan.⁶⁹ Local housing strategies that explicitly aim to protect existing sources of low-cost housing and encourage additional affordable housing would, ideally, be supported by targets for both affordable home purchase and affordable rental. Offering planning concessions for developments with more than, for example, 20 per cent affordable housing for sale or rent is one strategy. Fast tracking development applications for, or limiting appeal rights against, developments with more than a certain proportion of affordable housing is another simple way that local government can facilitate the supply of affordable housing.

Local government can also facilitate housing affordability by adopting planning policies that actively encourage a diverse range of housing that is suitable for people at different stages of their lives. For example, relaxing requirements for parking spaces in areas that are well served by public transport can help reduce housing costs. Allowing secondary dwellings, dual occupancy, or making provision for new generation boarding houses in planning schemes, will also assist. In middle-ring suburbs, strategies such as these can enable older residents to downsize without having to move away from their local area. These suburbs often have good access to public transport and the potential to increase housing density without unduly impacting on the character of the suburb.

Several local governments have been vigorous in promoting affordable housing, for example, Sydney's Inner West Council has announced that all developments over 1,700 square metres will have to include a 15 per cent affordable housing target, where the development produces over 20 dwellings. The Brisbane City Council partnered with the Queensland Government to provide seed funding to establish the Brisbane Housing Company in 2002. BHC now has a fully-owned portfolio of 1,500 affordable rental properties and a AA- credit rating — the same rating as the Commonwealth Bank.

A significant proportion (30 per cent) of local governments report that they have strong working relationships with not-for-profit housing organisations.⁷⁰ These range from consultation and information-sharing, collaborating on housing or homeless projects, contracting community housing organisations to manage council owned stock, transferring council-owned housing stock to not-for-profit organisations, or setting up a not-for-profit company to deliver affordable housing.^{iv}



The Victorian Government is helping councils integrate more affordable housing into private developments.

State government funding has been allocated to local councils to help them obtain professional advice and support on how to negotiate with developers over including affordable housing in property developments.

Changes to Victoria's *Planning and Environment Act 1987* establish a framework for affordable housing, define who is eligible for affordable housing, and create a pathway for councils and developers to lock in affordable housing delivery as part of a development project.

Some local governments extend concessions on rates to community housing organisations (in some jurisdictions the concessions are limited to faith-based providers, in others, for example, South Australia, rates concessions are required under state law). This concession can make a valuable contribution to filling the gap between low-income rents and the cost of providing housing. However, state and territory governments may need to offset all or part of the foregone rate revenue to avoid creating a disincentive for councils to approve affordable housing developments.

Some local governments hold land that could be earmarked for affordable housing. Contributing land as an equity partner with community housing operators is one way local governments could increase affordable housing supply and preserve their balance sheets. Alternatively, councils could offer long-term leases of land for affordable housing. Closer links between community housing organisations and local government could help ensure that the diversity of the local community is maintained, particularly in councils where the roll-out of new suburbs or gentrification threatens to push out lower-income households.

iv For example, Central Highlands (Qld) Housing Company Limited and BHC in Brisbane.

Local governments often require developers to contribute to infrastructure such as roads or water and sewerage reticulation in new developments. Developers may also be required to help fund broader infrastructure upgrades (for example, water treatment plants) or community infrastructure such as parks. Developers pass these charges on to buyers of new houses, but the infrastructure charges also raise the cost of established houses. This is because the higher prices of new homes trickle forward to drive up prices of established housing in nearby suburbs. Modelling of the impact of infrastructure charges on Brisbane house prices suggests that for every \$1,000 increase in new house prices as a result of infrastructure charges levied on developers, existing house prices nearby increased by \$759. This worsens housing affordability for homebuyers and delivers a windfall capital gain to existing home owners who have not funded the infrastructure.⁷¹ As the Housing Industry Association observes, an up-front charge against a new development is the least efficient way to recover infrastructure cost.⁷² It is time to find more efficient, transparent and equitable ways to fund infrastructure.

Summary of strategies

- Develop local government housing strategies to protect existing low-cost housing stock.
- Support affordable housing in land use policies
 - encourage diverse housing forms suitable for people at different stages of their lives, including appropriate secondary dwelling or dual occupancy
 - increase density in middle-ring suburbs.
- Examine ways to use the planning system to increase the supply of affordable housing.
- Identify land suitable for affordable housing.
- Contribute land for affordable housing as an equity partner, or on long leases, in developments with community housing organisations.
- Offer rates concessions to community housing organisations.
- Develop more efficient, transparent and equitable infrastructure funding mechanisms, with the Commonwealth and state governments.

Community housing

The community housing industry has doubled in size from 40,000 dwelling units to 98,000 over the past decade and represents around 19 per cent of the social housing sector. This has improved competition and choice for low-income tenants. Through leveraging of its own capital, and via transfers of stock from public housing, the community housing sector has shown it can manage large scale financing arrangements and undertake significant property development in partnership with the private sector. With 80,220 mainstream community housing homes and a further 17,460 dwellings operated by Indigenous community housing organisations, the sector owns or manages over \$30 billion in residential real estate, from which it generates \$700 million a year in rental income.⁷³

Leveraging taxpayer contributions

Between 2012 and 2020, 18 community housing organisations in New South Wales will deliver 2,700 dwellings with a total value of \$963 million. State and local governments will contribute 27.5 per cent of the finance through capital grants or developer contributions. The other 72.5 per cent has been raised by community housing organisations as equity (\$266 million) and debt finance (\$432 million).

Just 15 per cent of the 2,700 dwellings are spot purchases, the rest are new development projects.

This is on top of the extra social and affordable housing to be delivered by the industry through the NSW Government's Social and Affordable Housing Fund on Communities Plus sites.

NSW Federation of Housing Associations 2017

Community housing has three significant advantages in addressing Australia's affordable housing challenge. First, community housing now supplies 3.3 per cent of Australia's rental housing. This gives it a strategic advantage over the myriad of small investors that characterise the private rental sector, and the opportunity to shape the future of housing in Australia.

Second, it is better placed than either the private sector or the public sector to add directly to the supply of housing which is affordable to households on low to moderate incomes.

Third, the regulated community housing industry ensures that investment in additional affordable supply is preserved for future generations, both through its social mission and through legal instruments negotiated with state and territory governments.

There is mounting evidence that community housing offers a more sustainable social housing model than can be delivered through either public housing or private sector developers. The key to this is that a community housing organisation (with charitable status) which undertakes property development will fold the value of its tax exemptions and its developer margin back into additional supply. In this way, the organisation can deliver 25-30 per cent more dwellings than would be achieved if it (or government) purchased completed properties from a developer. And, because community housing organisations manage their housing for the long term they pay more attention to designing and building homes that last longer and have lower running costs for tenants.

Community housing has a similar advantage over traditional public housing delivery. This is because community housing organisations can use their assets or cash flow to raise money from the private sector to buy or build more housing. Channelling social and affordable housing through not-for-profit housing organisations maximises the impact of the taxpayer's investment and protects publicly funded assets for the future.

A recent study revealed that holding 1,000 properties in the public sector 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.⁷⁴ This very modest increase in social housing supply (113 new homes over 30 years) could be substantially increased if state and territory governments permitted community housing organisations to redevelop the social housing stock or leverage the rental cash flow through borrowings.

As the Delivering new supply: *NSW Community Housing Industry Snapshot 2017* reveals, by undertaking development projects that deliver a range of different types of housing, CHOs underwrite the cost of providing social housing by selling properties or offering them at market rents.⁷⁵



Innovation in business and technology

In 2008, five community housing organisations set up a company, BlueCHP, as their development arm. Since then, BlueCHP has delivered over 1,700 affordable housing dwellings and retained 680, worth more than \$250 million.

In November 2017, it opened Macarthur Gardens, a mix of apartments close to Macarthur Railway Station and Western Sydney University. BlueCHP manages 56 of the dwellings as below-market rentals and will sell the other 45 to help finance the project.

Unlike private developers, who quickly build and sell their developments, BlueCHP builds quality housing assets to be held for the long term. BlueCHP's Macarthur Gardens is the largest residential complex in Australia built from cross-laminated timber, a cost-effective, environmentally friendly technology.

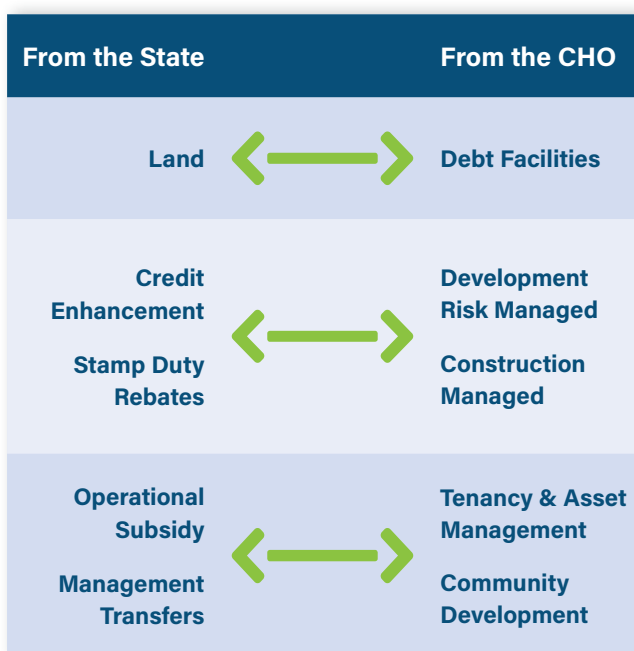
An equity partnership with state and local government

Changing the relationship between the community housing industry and government from funder-and-funded, to one of equity partners, is a potentially profound shift that could open up new opportunities for both parties. It will also resolve what is sometimes presented as competing interests of governments and CHOs over taxpayer-funded assets, in favour of a gain-sharing arrangement that offers benefits to both parties.

Under this equity partnership or co-investment model, the government contributes land, the CHO raises finance and takes the development risk, and the profit from development is shared in proportion to the contribution of each party. The government's balance sheet and credit rating are protected, and the government will benefit from delivery of affordable housing at roughly 40 per cent below the cost it would incur if it undertook the development itself. The supply of land will reduce the borrowing cost to the CHO (and reduce the constraints that CHOs without significant capital or assets face in competing with private developers for land).⁷⁶ The CHO will benefit from being able to accumulate equity over time by retaining the 15 to 20 per cent developer's margin in the form of additional stock, leveraging rental cash flows, and making best use of its tax-advantaged status to benefit low-income tenants. Both parties would benefit from transacting on fair and transparent commercial terms, but the greatest benefit would go to renters on low to moderate incomes who would reap the benefit of more affordable housing.

Continued >





Credit enhancements from the state government, such as guarantees to support the CHO borrowing or an interest rate subsidy, together with stamp duty rebates, would reduce the overall amount of finance required for the development. In return, the CHO assumes the development risk and manages the construction.

Similarly, agreeing a long-term management contract for a portfolio of public housing dwellings in exchange for the responsibility for tenancy and asset management will benefit both the state or territory government and the CHO. The state government is relieved of the full responsibility for the unfunded maintenance liability of its ageing housing stock and the CHO is able to generate a low – but stable – income stream to improve the quality of the housing and service its debt facility. The key to success in this transaction is transparency around the terms of the engagement and an appreciation that acting in partnership will enhance the longer-term benefits to both parties.

Under this model, an additional subsidy would be required for properties designated as social housing rental to fill the gap between income-linked rents and cost of housing provision. In other words, an equity partnership between the state and a CHO for the purpose of developing social and affordable housing will operate independently of a supply contract through which a state compensates the CHO for the rental income foregone by housing low-income tenants at income-linked rents.

Instead of competition or the CHO acting as an agent of government, the relationship is one of commercial partnership. The concept is not new but the introduction of the NHFIC (and parallel state-based programs) and the deteriorating financial position of all public housing

agencies adds impetus to approaching affordable housing supply in this way.

The same co-investment approach could be pursued by local government, or by smaller CHOs that own properties but lack the funds or in-house expertise to develop or redevelop properties.

Managing the development risk

In the Brisbane suburb of Mt Gravatt, the Brisbane Housing Company (BHC) built an award-winning apartment block for low-income residents aged 55 and over who had been living alone in public housing.

At a cost of \$15 million, this development freed up \$25 million worth of public-housing assets that could be put to better use, either by accommodating families on the waiting list for social housing or by being sold to raise capital for new homes.

Just as importantly, the BHC homes have an energy efficient design that lowers running costs, with landscaped gardens, a shared barbeque area, communal laundry and common room to encourage social interaction and a sense of community.



Finally

To rely on the marketplace, or a government, or the housing sector, alone to resolve the housing crisis is to bury our heads in the sand.

The social and economic cost of not acting to increase the supply of affordable and appropriate housing will be substantial, given the strong links between housing and homelessness, financial stress and relationship breakdown, and poorer educational and employment outcomes.

The solution lies — much like the problem itself — in an inter-connected series of economic, market and social structures. Reforms are needed — some large, some small, but all relevant and contributory. If we can co-ordinate reforms nationally, undertake them simultaneously and drive them centrally, then we will meet the goals set out in this plan:

- **Australia will have enough housing to meet its needs**
- **housing will be affordable for renters and homebuyers, particularly those on low to moderate incomes**
- **our housing market will be efficient**
- **our housing market will deliver a diverse housing profile, to suit the needs of people at different stages through their lives.**



Glossary

Affordable housing includes housing that is affordable to rent, or to buy. Affordable rental housing enables households on very low to moderate incomes to pay their rent and also cover other basic living costs. Rents are usually set at a discount to market rent. Affordable rental housing is often developed with some assistance from government, through programs like the National Rental Affordability Scheme, state and territory government subsidy, or capital grant programs, or in association with planning incentives or local government support. Affordable home purchase enables those on low to moderate incomes to buy a home and also cover other basic living costs.

In this consultation paper 'affordable housing' is used as an umbrella term that includes rental housing which is provided at a discount to market rent (sometimes called 'key worker housing'), whether subsidised by government or not, as well as social housing.

Social housing is rental housing subsidised by the government and provided by government or non-government organisations to help people who can't access suitable accommodation in the private rental market. There are two types of social housing: public housing and community housing.

Public housing is rental housing owned and managed by state and territory governments provided to very low and low-income households, and people with special needs who cannot obtain private rental housing. Rents are generally set as a proportion of household income or market rent, whichever is lower. State and territory governments also help some low-income people in the private rental market.

Community housing is rental housing for households on very low to moderate income, or people with special needs. Where a community housing organisation has received capital or recurrent subsidy from government, rent will typically be set at a proportion of household income or else be provided at a discount to market rent. Community housing organisations both own rental properties and manage them on behalf of other landlords (including governments).

Indigenous community housing is rental housing which is owned, leased or managed by an Aboriginal or Torres Strait Islander organisation. Some Aboriginal local governments own or manage community housing. Where an Indigenous community housing organisation has received capital or recurrent subsidy from government, rent will usually be set at a proportion of household income or market rent, whichever is lower.

References

- 1 Australian Bureau of Statistics. 2024.0 Census of Population and Housing: Australia revealed 2016 reports 8.3m occupied dwellings
- 2 Productivity Commission. Report on Government Services, 2018. Tables 18.A3, 18A.7 and 18A.8
- 3 Pawson, H., Martin, C., Flanagan, K. and Phillips, R. Recent housing transfer experience in Australia: implications for affordable housing industry development. Inquiry into affordable housing industry capacity. Melbourne. AHURI. 2016. p 50-55. This study revealed that holding 1,000 properties in the public sector would result in a \$30 million deficit after 30 years but in community housing hands would deliver a \$40 million surplus over the same period, which could be reinvested to produce additional social housing.
- 4 De Groot, J. The 2017 resolution that needs to be implemented. Pro Bono. 19 January 2017
- 5 Australian Government. National Housing Supply Council. The State of Supply Report. 2012; Rowley, S. et al., Modelling housing need in Australia to 2025. AHURI Final Report No. 287. 2017; Gurran, N., Rowley, S., Milligan, V., Randolph, B., Phibbs, P., Gilbert, C., James, A., Troy, L. and Van den Nouwelant, R. (2018) Inquiry into increasing affordable housing supply: Evidence-based principles and strategies for Australian policy and practice, AHURI Final Report 300. 2018
- 6 Grattan Institute. Housing affordability: Reimagining the Australian dream. 2018
- 7 Australian Government. National Housing Supply Council. The State of Supply Report. 2009 reported that the supply of affordable rental dwellings for low income earners had fallen in absolute and relative terms in the decade to 2006, despite a 20% increase in the overall supply of housing.
- 8 Hulse, K., Reynolds, M. and Yates, J. Changes in the supply of affordable housing in the private rental sector for lower income households, 2006-2100. AHURI Final report No. 235. Australian Housing and Urban research Institute. Melbourne 2014
- 9 Productivity Commission. Report on Government Services, 2018. Table GA.2
- 10 Council for Economic Development of Australia. Housing Australia. Melbourne 2017
- 11 Council on Federal Financial Relations. Supporting the implementation of an affordable housing bond aggregator: Affordable Housing Working Group Report to Heads of Treasuries. September 2017
- 12 AHURI Brief: Census data shows falling proportion of households in social housing. 2017. Productivity Commission Report on Government Services 2018 calculates social housing at 4.1% in 2016. Table GA.17.
- 13 OECD, Affordable Housing Database. 2017. Table PH4.2 Social Rental Dwellings Stock
- 14 Australian Bureau of Statistics. 4130.0 Housing Occupancy and Costs. 2017. Table 2.1
- 15 Yates, J. Why Does Australia Have an Affordable Housing Problem and What Can Be Done About It? Australian Economic Review Vol 49, Issue 3, September 2016
- 16 The Treasury. 2017 Tax Expenditures Statement. Table 4.1, 2018; Australian Institute of Health and Welfare. Housing Assistance in Australia, 2017. 2018; The Treasury. Budget 2018-19. Budget Paper No. 3 Federal Financial Relations. 2018
- 17 ACT Government. Environment, Planning and Sustainable Development Directorate. Housing Choices Discussion Paper. 2017
- 18 Australian Bureau of Statistics Census 2016 Quickstats. Household composition
- 19 Infrastructure Australia. Future Cities: Planning for our growing population, Chapter 6. 2018
- 20 Australian Bureau of Statistics. 3101.0 Australian Demographic Statistics, September 2017, increase of 395,000 in 12 months to September 2017
- 21 The Treasury. 2016 Tax Expenditures Statement. Table 1.1 p9. The value of exempting home owners from CGT (\$34 billion), the value of the 50% CGT discount (\$27.5 billion). Negative gearing is not reported as a tax expenditure but is estimated at between \$0 and \$5 billion. See Dale, T. Budget impacts of negative gearing, in Parliamentary Library Flagpost Blog
- 22 The Treasury. Budget 2017-18. Budget Paper No. 3, Table 2.8; Department of Social Services. Portfolio Budget Statements Budget Related Paper 1.15A. Page 48
- 23 Eccleston, R., Verdouw, J., Flanagan, K., Warren, N., Duncan, A., Ong, R., Whelan, S. and Atalay, K. Pathways to housing tax reform, AHURI Final Report No. 301. 2018
- 24 Productivity Commission. Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services. Productivity Commission Inquiry Report, No 85, 2017
- 25 Department of Families, Housing, Community Services and Indigenous Affairs. Indigenous Home Ownership Issues Paper. 2013
- 26 Productivity Commission. Overcoming Indigenous Disadvantage, 2016. Page 9.25
- 27 Australian Bureau of Statistics. 4130.0 Housing Occupancy and costs, 2015-16
- 28 Productivity Commission. Report on Government Services, 2018. Table GA.2
- 29 Productivity Commission. Report on Government Services, 2018. Tables GA.13 and GA.14
- 30 Productivity Commission. Report on Government Services, 2018. Table GA.14
- 31 Council on Federal Financial Relations. Supporting the implementation of an affordable housing bond aggregator. Affordable Housing Working Group Report to Heads of Treasuries. 2017, p 13
- 32 Infrastructure Australia. Future Cities: Planning for our growing population, Chapter 6. 2018
- 33 Productivity Commission. Inquiry report No. 84. Shifting the Dial: 5 year Productivity Review. 2017
- 34 Burke, T. Lies, damned lies and statistics. Community Housing Industry Association Victoria News. 2017
- 35 Morrison, S. Protecting our living standards address to CEDA. 2017
- 36 ACT Government. Environment, Planning and Sustainable Development Directorate. Housing Choices Discussion Paper. 2017

- 37** Productivity Commission. Inquiry report No. 84. Shifting the Dial: 5 year Productivity Review. 2017, p 127
- 38** Council on Federal Financial Relations. Supporting the implementation of an affordable housing bond aggregator: Affordable Housing Working Group Report to Heads of Treasuries. September 2017
- 39** Council for Economic Development of Australia. Australia's place in the world. 2017
- 40** Corelogic.com.au. In 2014, average hold times for houses averaged 11+ years, in Sydney and Melbourne and 9 years in other capital cities.
- 41** Coates, B., Daley, J. Wiltshire, T. Options for housing affordability; the good, the bad and the cosmetic. Inside Story. 1 May 2017.
- 42** Eccleston, R., Verdouw, J., Flanagan, K., Warren, N., Duncan, A., Ong, R., Whelan, S. and Atalay, K. Pathways to housing tax reform, AHURI Final Report No. 301. 2018
- 43** Eccleston, R., Verdouw, J., Flanagan, K., Warren, N., Duncan, A., Ong, R., Whelan, S. and Atalay, K. Pathways to housing tax reform, AHURI Final Report No. 301. 2018
- 44** Geck, M. and Mackey, S. Housing in Queensland: Affordability and preferences. Queensland Productivity Commission Staff Paper. 2018, p42
- 45** Schlesinger, L. UDIA warns on housing undersupply in the Australian Financial Review 15 March 2018; Queensland Government Statistician's Office. Residential Land Development Activity Profile, Brisbane (C) Local Government Area (LGA). Table 28. Generated 26 August 2018
- 46** HIA-CoreLogic. Residential land report. July 2018
- 47** PWC. Infrastructure contributions: Review of impact of infrastructure taxes and charges on the New South Wales economy. Prepared for the Urban Development Institute of Australia. June 2018
- 48** Urban Development Institute of Australia. The State of the Land, 2018: national residential greenfield and multi-unit market study. 2018
- 49** Geck, M. and Mackey, S. Housing in Queensland: Affordability and preferences. Queensland Productivity Commission Staff Paper. 2018, p34
- 50** Schlesinger, L. UDIA warns on housing undersupply in the Australian Financial Review 15 March 2018
- 51** Kendall, R. and Tulip, P. The effect of zoning on house prices. Reserve Bank of Australia Research Discussion paper 2018-03. 2018. The authors estimate that in 2016, zoning restrictions had raised detached house prices in Sydney by 73 per cent above marginal costs, by 69 per cent in Melbourne, 42 per cent in Brisbane and 54 per cent in Perth.
- 52** CIE (The Centre for International Economics) 2013, Reform of the NSW Planning System: Better Regulation Statement, final report, prepared for NSW Planning and Infrastructure.
- 53** SGS Economics. Development contributions for affordable housing: theory and implementation.20-18
- 54** Spiller, M., Anderson-Oliver, M. Revisiting the economics of inclusionary zoning. 2015
- 55** Gurran, N., Gilbert, C., Gibb, K., van den Nouwelant, R., James, A. and Phibbs, P. Supporting affordable housing supply: inclusionary planning in new and renewing communities. AHURI Final Report No. 297. 2018
- 56** Raynor, K, Dosen, I and Otter, C. Affordable Housing in Victoria. 2017
- 57** Queensland Government. Queensland Housing Strategy 2017-2027. 2017
- 58** Troy, L. Sydney needs affordable housing targets. UNSW City Futures Blog 24 November 2016
- 59** Hulse, K, et al. Secure occupancy in rental housing: conceptual foundations and comparative perspectives. AHURI Final report No. 170 Australian Housing and Urban research institute. 2011.
- 60** National Shelter and Choice. Unsettled: Life in Australia's Rental Market. 2017
- 61** Duke, J. Moving home costs tenants thousands: survey. Domain News 14 September 2015
- 62** Productivity Commission. Report on Government Services, 2018. Table 18A.36
- 63** Raynor, K, Palm, M, O'Neil, M and Whitzman, C. 2018. Investigating the costs and benefits of the Melbourne Apartments Project, Transforming Housing, The University of Melbourne
- 64** Productivity Commission. Report on Government Services, 2018. Table GA.6
- 65** Department of Families, Housing, Community Services and Indigenous Affairs. Towards a national regulatory system 2010
- 66** Australian Government. Department of Infrastructure and Regional Development. Local Government National Report. 2014-15. 2017. Table 1-1.
- 67** Beer, A., Morris, Paris, C. Housing and local government in Australia in the 21st century. 2014
- 68** Beer, A., Morris, A., Martin, J., Budge, T., Paris, C., Horne, S. Local Government and Housing in the 21st Century: Housing Locally, a report on the Local Government and Housing Linkage Project national survey. 2018
- 69** Morris, A., Davis, C. Local councils put affordable housing supply in the too hard basket. The Conversation 6 September 2018
- 70** Beer, A., Morris, A., Martin, J., Budge, T., Paris, C., Horne, S. Local Government and Housing in the 21st Century: Housing Locally, a report on the Local Government and Housing Linkage Project national survey. 2018
- 71** Bryant, L.E. Who really pays for infrastructure? The impact of developer infrastructure charges on housing affordability in Brisbane Australia. PhD thesis. Queensland University of Technology. 2015
- 72** Housing Industry Association. Infrastructure charges and levies on residential development. May 201. P2
- 73** Productivity Commission. Report on Government Services, 2017. Tables 18A.7 and 18A.8
- 74** Pawson, H., Martin, C., Flanagan, K. and Phillips, R. Recent housing transfer experience in Australia: implications for affordable housing industry development. Inquiry into affordable housing industry capacity. Melbourne. AHURI. 2016. p 50-55.
- 75** NSW Federation of Housing Associations. Delivering new housing supply: NSW community housing industry snapshot. 2017
- 76** Million, V. Pawson, H., Phillips, R., Martin, C., and Elton Consulting. Developing the scale and capacity of Australia's Affordable Housing Industry. Australian Housing and Urban Research Institute. Final Report No. 278. 2017



Community Housing
INDUSTRY ASSOCIATION

Subscribe to CHIA's eNewsletter at communityhousing.com.au and stay in touch with the latest sector news and events.

Community Housing Industry Association

3/350 Queen St, Melbourne, 3000

T 02 6232 5043

E info@communityhousing.com.au

W communityhousing.com.au

ACN 604 344 112

ABN 303 886 802 58

