



**Community Housing**  
INDUSTRY ASSOCIATION

**MARCH 21, 2022**

**CHIA**

**Response:**

**National Housing and  
Homelessness Agreement**

**Productivity Commission Review 2022**

Supported by:



# Productivity Commission: National Housing and Homelessness Agreement review

## Summary

**CHIA is the peak body representing not for profit community housing organisations (CHOs) across Australia. Our 150+ members manage a \$40 billion-plus portfolio of more than 115,000 homes, housing people on low and moderate incomes who find it hard to access affordable and appropriate tenancies in the private market.**

Over 20 percent of all social housing in Australia is managed by CHOs. The largest manage between 5,000 and 11,000 properties each and the average portfolio size across the industry is over 2,000 properties.

The Community Housing Industry Association (CHIA) welcomes the opportunity to respond to the review of the National Housing and Homelessness Agreement (NHHA).

The current NHHA which commenced in July 2018 provides around \$1.6 billion a year to the States and Territories to enable access to secure and affordable housing. Its major initiatives are funding homelessness services; State and Territory housing and homelessness strategies; and improved data collection and reporting.<sup>1</sup> While all of these initiatives are important, the current NHHA lacks strategies for two areas that CHIA regards as priorities:

- increasing the supply of affordable rental properties available to the Australian community
- articulating clear strategic, national, goals that are publicly and transparently reported against

CHIA believes that a radical change to the focus and ‘machinery’ of the NHHA is needed to address these deficiencies.

During the period of the 2018 NHHA, private market housing affordability significantly declined, the supply of social and non-market affordable housing failed to keep pace with population growth, and NHHA initiatives of central importance to the community housing industry, such as improved data collection, languished. Additionally, there is no meaningful compilation of outcomes from the Agreement that is accessible to non-government stakeholders such as CHIA. Public statements made about the NHHA provide little insight into its achievements.

Data available through the Report on Government Services does not effectively capture State and Territory expenditure on social and affordable rental housing, net supply additionality, or strategies to address homelessness. For example, the emergency accommodation programs rolled out by NSW, Victoria, Queensland and South Australia during the first wave of COVID-19 accommodated 40,000 homeless people. Both NSW and Victoria funded headleasing programs to secure longer term affordable housing outcomes for rough sleepers assisted through their emergency accommodation programs.<sup>2</sup> In 2020 and 2021, four state governments announced significant self-funded social housing construction programs as a component of post-pandemic stimulus investment, appearing to be a total investment of almost \$10 billion.<sup>3</sup> The most significant of which is Victoria’s Big Housing Build initiative to construct 12,200 new social and affordable rental homes over the next four years.<sup>4</sup>

CHIA’s submission argues for a radical change in the nature of the NHHA. We believe it needs a complete redesign to:

- Drive measurable net increases in social and affordable rental housing supply, including to support Housing First approaches to address homelessness;

- Establish nationally consistent housing industry datasets to support informed planning for social and affordable rental housing supply;
- Implement a 10 year National Housing Strategy, overseen by a national housing agency accountable for delivery of NHHA outcomes.

These outcomes can be achieved by increasing the total funds available for the NHHA, targeting the funding at new supply and involving a wider range of organisations and agencies in the negotiation and operation of the Agreement.

CHIA's members provide housing where affordability issues are most acute and supply is the most severely constrained. The need for change is critical. It is estimated that Australia requires an **additional 891,000** social and affordable rental homes over the next twenty years to address current shortfalls and keep pace with population growth. Addressing this shortfall requires a capital investment of around \$290 billion, and potentially participation by all levels of government and the community housing industry.<sup>5</sup> Recent analysis indicates that the current shortage of social and affordable rental homes is costing the Commonwealth and State/Territory governments almost \$676.5 million per year in avoidable justice, health and welfare costs. If nothing is done this annual cost is predicted to rise to \$1,286 million per year by 2036.<sup>6</sup>

These national figures mask the disproportionate impact on First Nations people of shortfalls of suitable social and affordable rental housing. In July 2021, the Productivity Commission reported that only 78.9% of the First Nations population was living in appropriately sized, not overcrowded homes compared to 92.9% of the general population.<sup>7</sup> Significant effort is still required to reach the target of 88% by 2031 set in the National Agreement on Closing the Gap. Significant effort is also needed to meet the needs of the large proportion of NDIS participants who require access to affordable rental options. Additionally, older private renters are increasingly seeking social and affordable rental housing options as affordability in the private rental market decreases.

Developments since 2018 mean that the community housing industry, the National Housing Finance Investment Corporation (NHFIC) and the National Regulatory System for Community Housing (NRSCH) is positioned to make a significant contribution to the future supply of secure, fit for purpose, affordable housing available in Australia.

Housing outcomes are a shared Commonwealth and State/Territory responsibility. Expanding social and affordable rental housing provision depends on the active participation of both levels of government. Providing access to adequate and affordable rental housing dampens demand on the Commonwealth social security system. The Commonwealth government possesses tax-raising and borrowing powers of the scale required to underpin the investment that is needed, The Commonwealth government possesses tax-raising and borrowing powers of the scale required to underpin the investment that is needed. This investment will unlock contributions from the private and charitable sectors and support State/Territory governments' own programs.

Addressing Australia's current housing challenges demands coordinated action from the Commonwealth and State/ Territory governments. Like the post-war challenges that confronted Australian governments eighty years ago, our current situation calls for concerted and coordinated action. The NHHA is an essential avenue for coordinating the Commonwealth and State/Territory activity required to respond to the increasingly extreme housing problems faced by people on low and moderate incomes. Last year's NHFIC Review acknowledges the scale of investment needed and that support from all levels of



government, is critical. There are many ways such support could be provided – grants, annual subsidies, discounted land, write-off of debt to the Commonwealth, rental subsidies – or, alternatively, tax breaks for investors in social and affordable rental housing. Our submission outlines a number of responsible and practical options that can be implemented through the renewed Agreement. In summary, CHIA believes the Commonwealth Government has the capacity to do much more through the renewed NHHA.

CHIA is calling for a fresh approach to the 2023 NHHA that:

- Drives measurable net increases in social and affordable rental housing supply and supports Housing First responses to homelessness. The NHHA should be aiming for 8-9% of Australia's total housing stock to be social housing and for 3% to be affordable rental housing. This requires an increase in the total funds available to the NHHA;
- Establishes nationally consistent housing industry datasets to support informed planning for social and affordable rental housing supply. This is critical for being able to measure any improvement;
- Implements a 10 year National Housing Strategy, overseen by a national housing agency accountable for delivery of NHHA outcomes.

Further details are contained in the following sections.

**CHIA undertakes research, policy development and advocacy on social and affordable rental housing issues on behalf of our member community housing organisations**

## Performance and suitability of the Agreement

### 1. Purpose of the NHHA

Under the current agreement the Commonwealth and States and Territories agreed to a suite of objectives including reducing homelessness and rental stress.<sup>8</sup>

CHIA's position is that the NHHA requires a complete redesign to:

- Drive measurable net increases in social and affordable rental housing supply and support Housing First responses to homelessness. The NHHA should be aiming for 8-9% of Australia's total housing stock to be social housing and for 3% to be affordable rental housing. This requires an increase in the total funds available to the NHHA.
- Establish nationally consistent housing industry datasets to support informed planning for social and affordable rental housing supply. This is critical for being able to measure any improvement.
- Implement a 10 year National Housing Strategy, overseen by a national housing agency accountable for delivery of NHHA outcomes.

The central role of the next NHHA must be to drive increased net social and affordable rental housing supply. We see this as including supply-side measures to increase social and affordable rental housing supply. We also believe that an agreement on a clear, consistent framework for planning contributions towards social and affordable rental housing is essential.

Social and affordable rental housing is a subset of a broader housing sector. CHIA proposes that the Commonwealth use the upcoming NHHA renewal process as an opportunity to negotiate delivery of a 10 year national housing strategy from 2023 focused on both market and subsidised housing, including social and affordable rental housing.

A national housing strategy builds on the current requirement for State and Territory plans to clearly articulate the responsibilities and funding contribution from each level of government. We recognise that considerable effort is required to develop a comprehensive national housing strategy. We envisage a staged process over the period of the next NHHA, commencing with a housing needs survey to inform decisions about the locations where social and affordable rental housing is needed to address shortfalls and actioning the large number of recommendations relating to housing provision made by Commonwealth government reviews over the past five or so years.

While Australian governments at different levels do make informed plans for housing, these plans may address social and affordable rental housing in isolation from market housing supply. They also plan for social housing supply based on the location of current provision rather than objective, future need. This approach exacerbates shortages of social and affordable rental housing in regional and city fringe growth areas. In contrast, a national housing strategy could create consolidated data to support integrated planning similar to the approach used in the United Kingdom.<sup>9</sup> We are not suggesting the State, Territory and local governments do not currently collect and analyse data of this type. In the Australian context, the absence is a national approach for consolidating and analysing data to understand housing shortfalls of all types as identified through current housing planning processes, and public visibility of the locations where the social and affordable rental housing supply is most needed.

CHIA also proposes that a national housing agency be established to oversight achievement of the NHHA’s purposes, as well as development and implementation of the 10 year national housing strategy. Housing program design and management requires specific skills in commercial processes such as investment and financing. Implementing Housing First approaches at scale requires an oversight agency that is able to coordinate with the Federal and State agencies responsible for population based services. We see the role of a national agency as building on the current functions and expertise of NHFIC to include administration of national housing funding programs, responsibility for relevant NHHA outcomes, and issuing of housing industry data compiled from existing or new collections. We envisage this national housing agency would have similar roles and functions with regard to housing data as the Centre for Population has for population data.<sup>10</sup>

## 2. Objective of new agreement

CHIA believes that the primary objective of the new agreement should be to enable growth in social and affordable rental housing supply for low to moderate income people who find it hard to access affordable and appropriate tenancies in the private market. Doing this is an essential step towards securing Australia’s capacity for economic growth, productivity and community wellbeing. It is not possible to achieve economic growth or community wellbeing if there is nowhere for low to moderate income people to live. Businesses cannot operate if they cannot attract staff. If housing costs represent too high a proportion of household income, there is limited capacity for the discretionary spending needed to support workforce participation and a healthy economy.

We propose that the Agreement operate within the framework of a 10 year national housing strategy concerned with the full spectrum of housing including homeownership and private rental, and also issues that touch on all housing supply, such as sustainability, resilience to natural disasters and climate change, connections with urban infrastructure programs and so on. The diagram below illustrates the relationship between a national housing strategy and the NHHA envisaged by CHIA.



In CHIA’s view, secondary objectives of the new Agreement should include:

- Strategies to ensure current social and affordable rental housing - including First Nations housing – is upgraded and/or redeveloped to meet contemporary standards for comfort and environmental performance. Incentives to redevelop housing that is not economic to upgrade could be included.

- Recognising the contemporary ‘system architecture’ needed to efficiently deliver non-market housing for low and moderate income people. State housing authorities play a vital role in delivering new housing supply, but equally vital are the complex partnerships between CHOs, philanthropists, commercial entities and local government. The new Agreement needs to incorporate the roles of NHFIC, the NRSCH and local government; and engage CHOs and local government in the Agreement’s negotiation and outcomes.
- Providing a point of coordination between the non-market social and affordable rental housing sectors and work on non-market social and affordable rental housing supply undertaken by Federal agencies. The new NHHA needs to recognise that aspirations for changes in the delivery of non-market social and affordable rental housing held by the Department of Veterans Affairs, the National Disability Insurance Agency/ disability area of the Department of Social Services, and the climate change area of the Department of Industry, Science, Energy and Resources cannot be addressed without an interface with the NHHA. There are also opportunities, for example, to coordinate a targeted housing plan under the National Disability Strategy through the new Agreement perhaps aimed at addressing the emerging shortage of accessible affordable rental housing.
- Continuing to resource homelessness services and initiatives. These services and initiatives are critical for linking the most vulnerable people to the limited supplies of social and affordable rental housing available. We strongly believe the NHHA should prioritise Housing First approaches. Homelessness can only be ended through access to secure, affordable and long term housing. We envisage that homelessness service funding will transition to funding for tenancy sustainment services as the supply of long term, secure, housing available to support Housing First approaches grows.
- Ensuring that social and affordable rental housing supplies respond appropriately to the needs of cohorts that have historically experienced barriers to accessing market housing such as Indigenous Australians, people with a disability and older people.

### 3. Outcomes of the Agreement

Three separate analyses undertaken in the last decade identify that addressing the housing needs of low and moderate income people who find it hard to access affordable and appropriate tenancies in the private market requires:

- around 8-9% of Australia’s total housing stock to be social housing, and
- around 3% to be affordable housing.<sup>11</sup>

At present, social and affordable rental housing together account for about 4.2% of Australia’s housing. In 1996, when the Commonwealth Government wound back the national supply program that had run for the previous 50 years, this figure was 6.5% - comparable with the OECD norm of 7%.

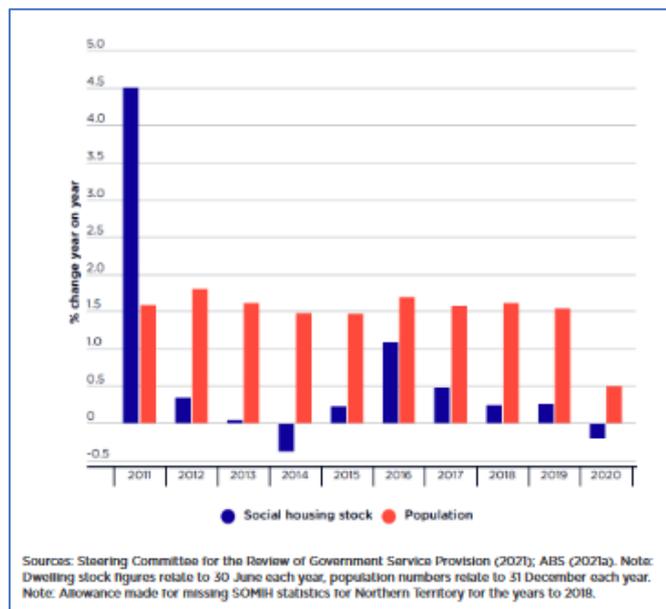
The contribution of private sector options such as private rental and home ownership to the supply of housing affordable to low and moderate income earners has diminished greatly since 1996. For example, the March 2021 *Rental Affordability Snapshot* identified three rentals in all of Australia affordable for a single person receiving Job Seeker, two percent of rentals were affordable for couple on the Age Pension and only one percent were affordable for a single person on the minimum wage working full time.<sup>12</sup>

Despite significant efforts since 1996 to broaden the funding base for social and affordable rental housing and encourage innovation and reward efficiencies, new social and affordable rental housing construction is barely keeping pace with sales and demolitions. As Figure 1 sourced from UNSW City Futures Research Centre indicates, 2019/20 was the second time in six years when there was an absolute reduction in social housing.<sup>13</sup>

Even in Victoria, the Big Housing Build anticipates increasing social housing supply by only just enough to maintain social housing as a proportion of all housing over the program's 4-year time horizon.

In these circumstances, the most important outcome for the renewed NHHA is net increases in social and affordable rental housing supply. It is valuable for the NHHA to encourage efficiency, transparency and accountability in the delivery of this increased net supply but these cannot be the primary objectives of the renewed NHHA.

Figure 1: Annual growth rates - social housing stock and population, 2011-2022



#### 4. Roles and responsibilities of governments under the agreement

The Commonwealth Government has the central responsibility to lead policy in matters of national significance such as the performance of Australia's housing system and ensuring an adequate national supply of social and affordable rental housing. In contrast, many of the levers around planning and land administration lie with the States and Territories.

This is why CHIA proposes the Commonwealth Government commit resources to developing a ten year national housing strategy to tackle the supply and demand drivers of housing affordability in a coordinated way across all levels of government. CHIA proposes the national housing strategy contain:

- clear targets for overall housing supply,
- clear targets for rental homes that are affordable to households in each income quintile, integrated with the NHHA in the case of the targets for the lowest income quintiles.
- separate but integrated plans to tackle homelessness through Housing First programs, address First Nations housing needs, and respond to the unmet housing needs of people with a disability, Veterans and others who have been failed by the current housing system.

The Commonwealth government has the scope to encourage positive change through the NHHA. However, without a coherent, coordinated national housing strategy, it is unlikely that these measures will have the enduring impact at the scale that is required.

There are positive international examples to draw on. For example, Canada, like Australia, has a relatively small social housing sector, a division in responsibility for subsidised housing between Federal and Provincial governments, cities with extreme unaffordability and a similar population. Its federal housing agency, the Canadian Mortgage and Housing Corporation ([CMHC](https://www.cmhc.ca)), created after WWII, provides

a potential model for how NHFIC might evolve in future. The CMHC has had a significant role in supporting

increased home ownership and in recent years particularly, subsidised rental housing. The CMC's ten-year housing strategy released in 2018 increased Federal investment in subsidised housing through a combination of initiatives which the CMHC is responsible for delivering.<sup>14</sup> Delivery responsibility is delegated to the Provinces through bi-lateral agreements and accountability is managed through Provincial action plans and reporting against annual targets.

The development and delivery of a new NHHA alongside a national housing strategy will require dedicated resources, whether through an existing agency such as NHFIC, or department or through the creation of a new purpose-designed body. CHIA would also like to see the reinstatement of mechanisms to promote intergovernmental coordination and cooperation and wider stakeholder participation. Perhaps a revived Housing Ministers Advisory Council under the National Cabinet process, and establishment of an advisory body for the national housing strategy comprising impartial experts such as retired bureaucrats or industry experts and appropriate academics.

## 5. Performance monitoring and reporting

Performance monitoring and reporting processes reflect resourcing priorities. CHIA would welcome a focus on the collection and collation of industry data in the next NHHA. This data is needed to support informed planning for new social and affordable rental housing supply, shape the National Housing Strategy, and measure progress against national targets. Compiling this data may require a combination of drawing on existing information collections outside of current NHHA reporting, making existing collections more accessible, or introducing new NHHA data collections supported by nationally consistent data definitions. For example, data collected by the National Regulatory System for Community Housing (NRSCH) is currently underutilised under the NHHA data arrangements.

Our members strongly support changes to the current data collection arrangements that improve transparency of what is being achieved. Examples of nationally consistent datasets that our members would value having access to include:

- Social and affordable rental housing supply by location and ownership type;
- social housing supply by location and sector
- data on the quality of existing social and affordable rental housing; and
- data that sheds light on the cost of delivering social and affordable rental housing.

The social and affordable rental housing supply data published by the UK Government Ministry of Housing, Local Government and Communities provides an example of the type of open access database that could be built up over time in Australia.<sup>15</sup>

Through its newly established research function, NHFIC is well placed to support development of a robust and nationally consistent approach to housing needs analysis. NHFIC has already recognised that it has a role to play in this field in the 2020 State of the Nation's Housing, noting that future editions should focus *'on the acute issues faced by many who experience housing stress and who cannot find appropriate accommodation suitable for their needs, including disadvantaged groups such as those with disabilities and many of Australia's Indigenous population.'*<sup>16</sup> In its 2022 edition it acknowledged that *'currently measurements of housing need are ..... limited'* and identified a range of more sophisticated approaches that could be adopted.<sup>17</sup> An ambition should be for the State of Nation Reporting to evolve into something more akin to the UK Housing Review which *'draws together key financial and performance data about public and private housing in the United Kingdom and assembles them in a coherent and accessible format.'*<sup>18</sup>

## 6. Financial and governance arrangements

### Population based allocation of funding

The current NHHA is centred on population based allocation of funding. Additionally, the funding itself has not been consistently indexed since 1996, meaning an ongoing reduction per head of population in real terms.

A challenge with population based allocation of funding at the current levels is that it does not provide a mechanism for adequately responding to historical housing disadvantage, newly emerging housing needs, or successful achievement of specific outcomes. CHIA proposes that the renewed NHHA supplement population based funding allocations with targeted allocations aimed at delivering specific outcomes such as reversing the undersupply of housing experienced by First Nations communities and other population groups and addressing newly emerging needs associated with the rapidly escalating unaffordability of private market housing. These additional funding allocations could either be channelled through the States and Territories or tendered through national programs developed in consultation with the States and Territories.

Population groups that are poorly served by the current population based allocation approach include First Nations communities, people with disability, older renters – particularly single women - attempting to age in place, women and children leaving domestic violence, and asylum seekers.

### National arrangements to support the national community housing industry

Commonwealth State Housing Agreement and now NHHA governance arrangements historically focus on Commonwealth and State/Territory relationships. While these relationships remain central to the NHHA, CHIA proposes there is an opportunity for the 2023 Agreement to better reflect the national nature of the community housing industry. Some areas where CHIA sees potential for more structured relationships under the new NHHA are:

- A strengthened relationship between the NHHA, the NRSCH and regulators in Western Australia and Victoria. The need for a truly national regulatory system to underpin expansion of affordable housing supply was highlighted in the recommendations of the Affordable Housing Working Group (AHWG) in relation to the affordable housing bond aggregator and again in the recent review of the National Housing Finance and Investment Corporation Act.<sup>19</sup> The new NHHA needs to include an agreement to work towards a national regulatory system and incorporate the governance arrangements needed to enable it to happen. The AHWG recommendation 2 sets out a possible approach.<sup>20</sup>
- Recognising the critical contribution NHFIC makes to the efficient operation of the social and affordable rental housing system. NHFIC bonds have been used to refinance existing loans, releasing equity for reinvesting in additional homes and services, and to support new construction. NHFIC has enabled CHIA members to access long term, low cost finance, bringing down the cost of delivering new social and affordable rental housing and delivering positive outcomes for tenants. These benefits are well documented in NHFIC's social bond report.<sup>21</sup>
- Establishing nationally consistent datasets relevant to the needs of the community housing industry. There is much that can be done between NHFIC, NRSCH, the community housing industry and the parties to the NHHA to address the current barriers to creating these much needed datasets.
- Building the overall capacity for the community housing industry to finance and social and affordable rental supply to address Australia's housing shortage. This can be done through a co-designed national industry development strategy. CHOs presently operate at different levels of

- maturity reflecting differential State and Territory approaches over time. CHIA’s aim is to close that gap so that all CHOs are able to contribute to expanding the supply of social and affordable rental housing. An example of a similar strategy in operation is the not for profit [Community Housing Transformation Centre](#) established under the Canadian Housing Strategy.<sup>22</sup> Canada, like Australia has a diverse community housing sector at different levels of maturity. The centre provides tools, access to funding resources and best practice resources to support the growth and development of CHOs, as needed, nationwide. CHIA estimates an annual contribution of \$500K over the life of the renewed NHHA will similarly enable an Australian capacity building strategy that will facilitate a strong, viable and well performing industry in all parts of the nation.

## Issues across the housing spectrum

### 7. Social and affordable rental housing

#### Impact of COVID 19

The COVID-19 pandemic has laid bare the reality of a housing system that is not meeting the needs of Australians in the bottom two income quintiles. In the early stages of the outbreak in 2020 States and Territories took rapid and effective action to address both rough sleeping and overcrowded shelters and boarding houses where residents share facilities. By the end of 2020 State governments had provided emergency accommodation to over 12,000 former rough sleepers.<sup>23</sup>

However, the larger challenge of finding people permanent homes has not been met. As well as re-housing those provided with temporary accommodation, there are many more households who were already in rental stress before the pandemic or who have become precariously housed as a result, either from losing employment or, being unable to meet rising rents in many parts of Australia. The continued intensification of housing needs due to Australia’s social and affordable rental housing deficit demands a response.

The independent review of the National Housing Finance and Investment Corporation (NHFC) is just one of many publications and reports to highlight scale of the challenge.<sup>24</sup> The Review estimated Australia needs and 891,000 social and affordable housing homes over the next 20 years. That’s around 45,000 homes a year. Instead, over the last few years we’ve collectively built around 3,000 – barely enough to replace homes that are demolished or sold.

Over the last year a number of States have announced substantial (if short term) social and affordable rental housing investment programs, notably in Victoria and also Queensland, Western Australia and Tasmania. In the recent report *COVID-19: Rental housing and homelessness impacts in Australia* the City Futures Research Centre drawing on unpublished data, estimates the additional units (after accounting for demolition and sales) that will be added to the current social and affordable rental housing numbers is around 5,500 pa for the next three years.<sup>25</sup> This total is considerably reduced if the affordable rental housing lost when National Rental Affordability Scheme incentives expire is factored in.

#### Decarbonising existing social and affordable rental housing

While data about social housing building efficiency standards is not published, it is accepted that many of the older State owned homes managed by CHOs perform poorly, contribute to Australia’s greenhouse gas emissions, and result in higher energy bills for residents. CHIA believes the 2023 NHHA must include provision for a joint State and Territory funded decarbonisation fund.

An unpublished report was compiled by the Residential team in the Climate Change & Sustainability Division under the NSW Department of Planning, Industry and Environment, as an input into the National Energy Productivity Plan (NEPP), to identify what is required to upgrade existing homes. Unsurprisingly, the key barrier is funding with the report noting *'Most social housing organisations won't have budgets to pay for information on energy ratings, carbon/energy outputs, thermal performance and upgrade recommendations.*

Clearly it is reasonable to upgrade existing homes only when the benefits are assessed to outweigh the costs. CHIA contributed to the ACOSS led National Low Income Energy Productivity Program (NLEPP) and we believe the community housing element of that plan could form the basis for decarbonisation fund in the 2023 NHHA.<sup>26</sup> The NLEPP anticipates spending \$5,0000 per home on 100,205 community housing and Indigenous community housing homes nationally, with capacity for additional financial contributions made by individual CHOs to be matched by a corresponding increase in government grant. A similar initiative has been successfully introduced by the UK Government<sup>42</sup>

## The supply side of the housing market

### 8. Affordable housing assistance and low income renters

A mature social and affordable rental housing system benefits from subsidies at a range of points to enable efficiency, flexibility and also resilience in the face of changing circumstances. Since 1996, there has been a strong emphasis on consumption subsidies such as Commonwealth Rent Assistance. However, unfortunately, these subsidies are not sufficient to fund the amount of new supply needed to keep pace with Australia's growing population. After twenty five years and the recent COVID-19 related shocks to the housing market, it is time to again consider the role of supply subsidies – but how much new supply is needed? CHIA's estimate is that the current shortfall is close to double the current social housing supply.

CHIA's estimate is not based on the State or Territory wait lists. Although these are often used as a proxy for social and affordable rental housing demand, they are an unsatisfactory basis for reliably estimating need. They do not register demand for housing in areas of low social housing supply, and many low income households in housing need are discouraged from registering by increasingly strict eligibility criteria, temporary suspensions and the sheer length of wait times for anyone other than multiply disadvantaged households in extreme need. Beyond this, while jurisdiction-scale waiting list statistics are routinely published on an annual basis, these are subject to varying and sometimes erratic administrative practices which also limit their value as an indicator of 'true' need.

Additionally, there are no wait lists for affordable rental housing. These homes are offered to the market as they become vacant, in the same way as private rental properties.

CHIA is aware of four robust attempts to assess 'true' social and affordable rental housing demand over the past decade. First, a 'top down', census-based approach to estimating social housing need was taken in the AHURI research 'Thirty years of public housing supply and consumption: 1981–2011'.<sup>27</sup> Using the now generally accepted 30% of income housing affordability benchmark, the authors estimated that to satisfy unmet need would require (at the time) an additional 630,000 social housing dwellings. This would take total social housing to 8.2% of Australia's overall housing stock. The authors noted that their method excluded homeless households and took no account of the appropriateness of accommodation occupied by existing households.

In contrast, a 'bottom up' approach was taken in the AHURI Inquiry [Social Housing as Infrastructure](#), published in 2018. This examined need amongst households in income quintile 1. This work was the basis for the Filling the Gap [report](#) for CHIA NSW and Homelessness NSW which extended the analysis to households in income quintile 2. Aggregating up from needs estimates at Census Area SA4 scale, this



method identifies the national shortfall of homes affordable to Q1 and Q2 households in 2016 and – also factoring in newly arising need over coming years – calculates the additional number of households ‘falling into need’ by 2036 (assuming current levels of social housing provision). It estimates that around one million additional social and affordable homes over the period 2016-2036 will be required. While this figure seems high, the social housing element of it equates to 8-9% of Australia’s dwellings– i.e. the same as the first research quoted. One again there are some limitations to the analysis, including that it does not assess housing suitability (size, location, accessibility etc).

A third and more conceptually complex approach has been devised by SGS Economics and Planning and is set out in the following publication. [SGS Economics and Planning - Issues Paper: Council on Federal Financial Relations Affordable Housing Working Group - Innovative financing models \(treasury.gov.au\)](#). Very briefly, the approach involves establishing how many households fall into very low-, low- and moderate-income brackets. The analysis first involves establishing disposable incomes after income tax and housing costs by household type and then calculating how many households require below-market-cost housing within each category. To do this SGS have examined the housing needs of six groups from those rough sleeping to households in rental stress.

SGS concluded that 656,429 households that needed affordable housing solutions in 2011. This represented 7.9 per cent of all households in Australia. Adding this to the number of existing households already accommodated in the 389,383 social housing dwellings in existence at that time would suggest Australia requires 12.5 per cent of its stock to be social and affordable rental housing. Given this includes affordable rental housing, the total is reasonably consistent with the other two estimates.

Lastly, a recent estimate of Australia’s social and affordable rental housing shortfall was made as part of the statutory review of NHFC in 2021. This estimates that 614,000 social housing and 277,000 affordable rental housing homes – 891,000 homes in total - are required by 2040. A figure similar to the AHURI estimate.<sup>28</sup>

The evidence therefore suggests that Australia needs around 8-9% of its total housing stock to be social housing and around another 3% to be affordable rental housing.

To put this in perspective, affordable and social housing combined currently totals only around 4.2% of Australia’s housing. This is down from the 6.5% of all stock represented in 1996 when the Commonwealth Government wound back the routine national supply program that had run for the previous 50 years. By way of comparison, the OECD norm is circa 7% and in England social housing accounts for around 17% of all housing.

These national figures mask the disproportionate impact of the current shortfall in suitable social and affordable rental housing on First Nations people. In July 2021, the Productivity Commission reported that only 78.9% of the First Nations population was living in appropriately sized, not overcrowded homes compared to 92.9% of the general population.<sup>29</sup> Significant effort is still required to reach the target of 88% by 2031 set in the National Agreement on Closing the Gap.

## 9. Opportunities to unlock community housing industry supply

CHIA believes there are dual opportunities to increase supply rapidly in the short term and also boost ongoing supply.

### **Social Housing Acceleration and Renovation Program (SHARP)**

In the short term, CHIA considers it urgent for the Commonwealth Government to collaborate with the States and Territories through the NHHA to jointly fund a social housing program addressing current demand and supply stresses.

CHIA has developed a model for ramping up social and affordable rental housing construction in the short term which could deliver a rapid response.<sup>30</sup> This Social Housing Acceleration and Renovation Program (SHARP) builds supply by unlocking the financial leveraging capacity of the community housing industry. We propose SHARP could be targeted for specific groups including older women, veterans and to assist Indigenous community managed housing organisations to address the urgent housing needs of First Nations peoples.

### **Housing Boost Aggregator**

While SHARP can play an important role in the short term, the Commonwealth Government must commit to a longer term program of investment in social and affordable rental housing. At the very least, an additional 10,000 social and affordable rental homes are required every year **on top** of development funded by contributions by the States and Territories and, via the planning system. We believe this should be a minimum commitment in new NHHA that can be increased in future Agreements as the financial capacity of the community housing industry grows.

Together with partners across the property, homelessness and financial sector CHIA has developed the Housing Boost Aggregator (HBA) as a mechanism to implement such a program – a policy blueprint for Commonwealth consideration.<sup>31</sup> The HBA aims to close the funding gap that prevents CHOs from building new social and affordable rental housing supply. It proposes a combination of a new Commonwealth tax-subsidy and a mechanism to pool portfolios of affordable housing projects to attract ongoing institutional investment. A contestable process for access to the ‘boost’ subsidy ensures value for money. The ‘gap’ nature of the subsidy contribution, ensures the program is sensitive to variable development costs, incentives or other State and local government contributions, and is able to attract private institutional capital. Similar solutions have been proven to work internationally. In the United States, for example, tax credits have successfully underpinned affordable housing supply for the past three decades.

## **10. Planning and land use regulation**

### **Nationally consistent approach to inclusionary zoning**

CHIA proposes that the new Agreement include a financial incentive for States and Territories to implement mandatory inclusionary zoning schemes through an approach such as co-funding design of a common base model which can be tailored for the conditions in different jurisdictions, co-funding policy design work or offering matching funding for affordable housing development contributions generated in the early years of a scheme’s operation.

Through regulation, the planning system can play a positive role in contributing more social and affordable rental housing without adding costs to the development industry, or affecting supply. Mandatory Inclusionary Zoning (MIZ) or equivalent mandated schemes have operated successfully in many different jurisdictions throughout Europe and the United States. One example is England, where local authorities have had powers to mandate affordable housing for a number of years. In 2019/20 almost 20,000 social and affordable homes were generated solely through inclusionary zoning obligations i.e., without any other grant funding. Of these homes 3,812 were social housing.

While attempts have been made to introduce MIZ in Australia, there are very few examples of schemes generating social and affordable rental housing at any scale. The best known and most successful scheme is that operating in the City of Sydney where around 900 homes have been generated since the mid-1990s.<sup>32</sup>

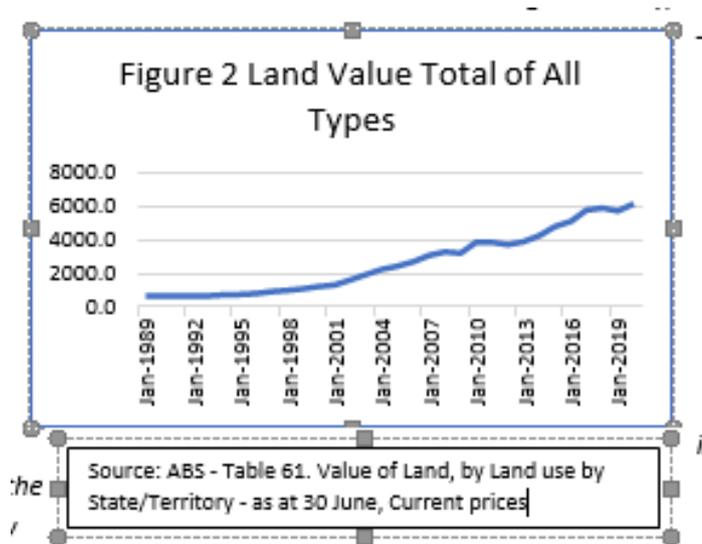
To help overcome the barriers to MIZ, through the Constellation Project, CHIA has participated in a process with other key industry and government players to develop a **MIZ National Framework** that minimizes the impacts on market development while still generating appreciable social and affordable



rental housing supply. The framework provides a set of key principles that could be adopted in any jurisdictional scheme while allowing a degree of customization to suit local circumstances. In essence the framework gives clarity, consistency and thus certainty to developers – a key industry concern about development contributions voiced most recently in NHFIC’s paper on how to pay for infrastructure.<sup>33</sup> The proposal is consistent with the recommendation 31 in the 2021 report from the Inquiry into Homelessness in Australia i.e., ‘that the Australian Government, in consultation with State, Territory and local governments, seek to increase affordable housing supply when land is rezoned for residential development, through the introduction and harmonisation of inclusionary planning approaches across Australia’.<sup>34</sup>

Development contributions are sometimes – incorrectly – described as a tax on housing. In the national framework proposal, a fixed percentage of all housing floorspace (or commensurate land / cash) developed on privately owned land in metro / high demand locations is to be designated, in perpetuity, as social and affordable rental housing, under CHO ownership and / or management. Rather than adding to construction costs, the requirement is to be factored into the price offered by the developer for the land.

Developers who have land-banked for possible future schemes without regard for the possible introduction of a MIZ scheme (in terms of land price paid) have an opportunity to develop such sites without any new obligation during the notice and transition periods we have proposed. In the locations we are suggesting MIZ is applied, land values have appreciated substantially – see Figure 2 - and we believe could accommodate a social / affordable housing contribution while retaining a significant positive value.



## Conclusion

In summary, CHIA is calling for a radical change in the nature of the NHHA. Our proposals are summarised in the table overleaf for easy reference.

We would like to meet with the review team to discuss our submission. In addition, we urge the team to speak directly with some CHOs. CHIA would be happy to convene a discussion with the CHO representatives our Board at one of its next meetings on 25 March or 29 April, or another mutually agreeable date.

We look forward to having further input during the consultation phase of the review.

## Summary of CHIA's proposals

### NHHA - Primary objectives

- ✓ Drive measurable net increases in social and affordable rental housing supply and support Housing First responses to homelessness. The NHHA should be aiming for 8-9% of Australia's total housing stock to be social housing and for 3% to be affordable rental housing. This requires both targeting of existing transfers and an increase in the total funds available to the NHHA
- ✓ Establish nationally consistent housing industry datasets to support informed planning for social and affordable rental housing supply. This is critical for being able to measure any improvement.
- ✓ Implement a 10 year National Housing Strategy, overseen by a national housing agency accountable for delivery of NHHA outcomes.

### NHHA - Secondary objectives

- ✓ Ensure current social and affordable rental housing, including First Nations housing, is upgraded to meet contemporary standards for comfort and environmental performance. Consider including incentives to redevelop housing that is not economically viable to upgrade.
- ✓ Incorporate the roles of NFIC, NRSCH and local government within the NHHA, and engage CHOs and local government in the NHHA's outcomes.
- ✓ Provide a point of coordination for work by federal agencies such as Veteran's Affairs, the National Disability Insurance Agency/ Department of Social Services, and the Department of Industry, Science, Energy and Resources touching on social and affordable rental housing supply.
- ✓ Continue to resource homelessness services and initiatives, placing an emphasis on Housing First approaches.
- ✓ Address the social and affordable rental housing needs of people who have traditionally experienced barriers to private market housing such as First Nations peoples, people with a disability and older people.

### Supporting actions

- ✓ Establish a national housing agency to oversight achievement of NHHA outcomes and the 10 year national housing strategy.
- ✓ Reinstate mechanisms to promote intergovernmental coordination and cooperation, and wider stakeholder participation. For example, a Housing Ministers Advisory Council under National Cabinet and a national housing strategy advisory committee comprising independent experts.
- ✓ Reduce reliance on population based funding to address historical housing disadvantage and newly emerging trends.
- ✓ Establish a decarbonisation fund within the NHHA to incentivise minor upgrades to community housing homes that improve energy efficiency and reduce reliance on carbon based fuels.
- ✓ Build the capacity of the community housing industry nationally so it can contribute to expanding the supply of social and affordable rental housing in all jurisdictions and regions across Australia.
- ✓ Involve the community housing industry in strategies to increase social and affordable rental housing supply through mechanisms such as SHARP and the Housing Boost Aggregator.
- ✓ Include a financial incentive within the NHHA for States and Territories to implement mandatory inclusionary zoning schemes.

Community housing organisations have a distinctive operating model different from public housing agencies and the private sector.

- Our members re-invest any surplus revenue into new housing, better services or improving our properties – and not into dividends for shareholders or executive bonuses.
- Community housing organisations can leverage their asset base and cash flows as security to attract private finance and build more affordable homes. The sector’s charitable status helps it to attract philanthropic donations, enabling it to increase its services and/or output of new affordable housing.
- Our members provide housing plus additional services for vulnerable residents and tenants, and access to programs such as work-readiness, training, counselling.
- Community housing organisations are strongly regulated to protect tenants, safeguard public funds and ensure they remain solvent.
- Our members are innovative, entrepreneurial, bring commercial disciplines to the provision of social housing and affordable housing and do not discriminate by race, gender or disability.

## References

- <sup>1</sup> Department of Social Services, [National Housing and Homelessness agreement](#).
- <sup>2</sup> Pawson, H., Martin, C., Sisson, A., Thompson, S., Fitzpatrick, S. and Marsh, A. (2021) 'COVID-19: Rental housing and homelessness impacts – an initial analysis'; Sydney: City Futures Research Centre, pp. 117-118.
- <sup>3</sup> Pawson, H., Martin, C., Thompson, S., Aminpour, F. (2021) 'COVID-19: Rental housing and homelessness policy impacts' ACOSS/UNSW Poverty and Inequality Partnership Report No. 12, Sydney, p. 98, <https://bit.ly/3nTsZld>
- <sup>4</sup> Pawson, H., Martin, C., Thompson, S., Aminpour, F. (2021) 'COVID-19: Rental housing and homelessness policy impacts' ACOSS/UNSW Poverty and Inequality Partnership Report No. 12, Sydney <https://bit.ly/3nTsZld>
- <sup>5</sup> Australian Government, [Statutory Review: Operation of the National Housing Finance and Investment Corporation Act 2018, Final Report](#), August 2021, pp. 98-99.
- <sup>6</sup> C. Nygaard, 'National Program for Construction of Social and Affordable Rental Housing', prepared for the Community Housing Industry Association, 2022, pp. 4-5.
- <sup>7</sup> Yates, J. (2019) Housing, Housing Costs and Poverty. In Saunders, P. ed. *Revisiting Henderson*. Melbourne, Melbourne University Press, pp.215-236.
- <sup>8</sup> <https://performancedashboard.d61.io/housing>
- <sup>9</sup> See for example [Housing Need and Demand Assessment \(HNDA\): practitioner guide 2020](#), and a [sample report](#) estimated housing needs.
- <sup>10</sup> Australian Government Centre for Population, '[About the Centre for Population](#)', accessed 14 March 2022.
- <sup>11</sup> These analyses are discussed further in the 'Affordable housing assistance and low income renters' section of this submission below.
- <sup>12</sup> Anglicare Australia, [Rental Affordability Snapshot: National Report April 2021](#), p. 9,
- <sup>13</sup> [Social housing production continues to languish, while demand has soared \(unsw.edu.au\)](#)
- <sup>14</sup> CMHC, '[What is the Strategy?](#),
- <sup>15</sup> [Live tables on affordable housing supply - GOV.UK \(www.gov.uk\)](#)
- <sup>16</sup> NHFIC, [State of the Nation's Housing 2020](#), p. 65
- <sup>17</sup> NHFIC [State of the Nation's Housing 2021-22](#) p. 119
- <sup>18</sup> UK Housing Review, <https://www.ukhousingreview.org.uk/ukhr21/index.html>
- <sup>19</sup> 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, pp. 26-27; Australian Government, [Statutory Review: Operation of the National Housing Finance and Investment Corporation Act 2018, Final Report](#), August 2021, p. 25.
- <sup>20</sup> 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, pp. 26-27.

<sup>21</sup> NHFIC, [Social Bond Report 2020-21](#),

<sup>22</sup> CMHC, '[The Community Housing Transformation Centre: Increasing the capacity and supporting efficient community housing](#)'. <https://www.cmhc-schl.gc.ca/en/professionals/project-funding-and-mortgage-financing/funding-programs/community-housing/chtc>

<sup>23</sup> Pawson, H., Martin, C., Thompson, S., Aminpour, F. (2021) 'COVID-19: Rental housing and homelessness policy impacts' ACOSS/UNSW Poverty and Inequality Partnership Report No. 12, Sydney <https://bit.ly/3nTsZld>

<sup>24</sup> Australian Government, [Statutory Review: Operation of the National Housing Finance and Investment Corporation Act 2018, Final Report](#), August 2021

<sup>25</sup> ACOSS, [COVID-19: Rental housing and homelessness impacts in Australia](#),

<sup>26</sup> ACOSS, [Proposal and implementation plan for a national low-income energy productivity program \(NLEPPP\)](#)

<sup>27</sup> Groenhart, L. and Burke, T. (2014) [Thirty years of public housing supply and consumption: 1981–2011](#), AHURI Final Report No.231. Melbourne: Australian Housing and Urban Research Institute.

<sup>28</sup> Australian Government, [Statutory Review: Operation of the National Housing Finance and Investment Corporation Act 2018, Final Report](#), August 2021, pp. 98-99.

<sup>29</sup> Yates, J. (2019) Housing, Housing Costs and Poverty. In Saunders, P. ed. *Revisiting Henderson*. Melbourne, Melbourne University Press, pp.215-236

<sup>30</sup> <https://www.communityhousing.com.au/wp-content/uploads/2020/05/SHARP-Full-Report-1.pdf?x73896>

<sup>31</sup> [Housing-Boost-Aggregator-Final.pdf \(theconstellationproject.com.au\)](#)

<sup>32</sup> <https://www.cityofsydney.nsw.gov.au/affordable-housing-contributions/city-west-affordable-housing-program>

<sup>33</sup> 210831-research-paper-developer-contributions-how-should-we-pay-for-new-local-infrastructure-final.pdf (nhfic.gov.au)

<sup>34</sup> [4. Addressing homelessness – Parliament of Australia \(aph.gov.au\)](#)