



17 November 2023

The Honourable Cameron Dick
Treasurer and Minister for Trade
GPO Box 611
BRISBANE QLD 4001

Dear Treasurer

CHIA Queensland State Budget Submission

A housing re-investment budget

Queensland's booming housing market has delivered extraordinary windfall profits to some homeowners over the past few years but for many people, access to affordable housing has declined sharply. With a \$12 billion surplus in 2022-23 and a fiscal position "easily the strongest of the major states"¹ the 2024 State Budget presents the Palaszczuk Government with the opportunity to ensure that *all* Queensland households benefit from the booming property market and robust economy, not just those lucky enough to already own their homes.

The Queensland Government's investment in social and affordable housing in its last two budgets, the planning reforms accompanying the State Housing Summit, and the ShapingSEQ update represent a solid start to addressing our housing challenge. However, more needs to be done, particularly if Queensland is to get its fair share of funding under the Housing Australia Future Fund and other Federal initiatives. Community housing will be the key to accessing finance from Housing Australia to deliver social and affordable housing over the next five years. Creating a stronger partnership between the Queensland Government, CHIA Queensland, and the community housing sector will be critical to expanding social and affordable housing supply in this State in the same way as has been so successful in other jurisdictions.

Our submission proposes a series of measures that will unlock the ability of the community housing sector in Queensland to increase the supply of social and affordable housing. It also identifies where government investment is needed to build the capability of the community housing sector, to parallel the investment the Queensland Government is making to boost its own capability to respond to the opportunities offered by the new Federal initiatives.

¹ Queensland. Treasury. Budget Paper No.1 2023, Budget Speech, page 14



The community housing sector is key to driving supply of social and affordable housing

Across Australia, community housing is increasingly recognised as key to delivering additional social and affordable housing supply. In larger States, most of the social and affordable housing growth over the next five years will be either owned or managed by community housing organisations. The increasing scale of community housing operations in those States is enabling the sector to further increase housing supply through debt finance, leveraging Commonwealth Rent Assistance revenues and tax concessions, and private sector partnerships that will optimise access to the Housing Australia Future Fund.

In Queensland, however, the community housing sector faces specific challenges that constrain its ability to increase supply through borrowing. Community housing organisations in Queensland are smaller in scale than their interstate counterparts, are heavily reliant on social housing rental income, and have thin balance sheets.² To address these issues, and ensure that this State can successfully compete for its share of Commonwealth funding, action is needed in two areas:

- Policy reforms to unlock the ability of community housing organisations to use debt finance, improve cash flows, and access land to increase housing supply; and
- More investment in building capability across the community housing sector.

1. Policy reforms to unlock the ability of community housing to increase housing supply

The additional finance potentially available for social and affordable housing through Housing Australia has sharpened the need for an overhaul of legislation, policy and operational settings in Queensland to ensure that community housing organisations in this State can compete successfully with those in other jurisdictions. The required policy reforms range from aligning the income limits for social housing with those in other jurisdictions, to implementing the reforms that were announced by the Queensland Government in 2016 to improve the community housing operating environment and facilitate borrowing by community housing organisations.

CHIA Queensland proposes the following measures to assist the community housing sector to increase the supply of social and affordable housing:

1.1 Place all new social and affordable rental homes under community housing management

All new social and affordable rental homes should be placed under community housing management from 2024, including those delivered as part of head-lease programs and market Build To Rent developments. This would increase the scale of community housing and deliver higher cash flows and organisational efficiencies that can support borrowing to deliver additional supply. Over a five-year period, as properties funded by both the Queensland and Federal Governments come on line, this measure is expected to lift the average community housing portfolio in Queensland from 82 dwellings to match the national average portfolio of 202 dwellings³. It would capture over \$30 million a year in additional Commonwealth Rent

² Australia's Community Housing Industry in Profile 2023

³ Productivity Commission. Report On Government Services 2023, Table A7; Community Housing Industry Association. Australia's community housing industry in Profile, 2023. Around 40% of Queensland's registered CHOs hold fewer than 20 properties. Even at the larger end, the average Tier 1 portfolio in Queensland is a third smaller than the national Tier 1 portfolio average (1,663 and 2,474 dwellings respectively).³



Assistance payments by 2029 and support debt finance to deliver up to 600 additional homes without further recourse to capital funding from the State.

1.2 No-interest revolving loans for social and affordable housing

Providing a no-interest revolving loan facility (NIRL) of \$1.5 billion will enable registered community housing organisations to unlock an additional \$3.4 billion in finance from Housing Australia and other lenders to expand social and affordable housing supply. The no-interest revolving loan facility would fill the gap in the capital stack of around 10% equity contribution plus a 20% layer of subordinated debt usually required by lenders. Typically, Queensland community housing organisations have little accumulated equity that can be leveraged to obtain debt finance to grow the supply of housing, and a NIRL would be instrumental in supporting growth.

This initiative will particularly benefit smaller community housing organisations who are well-placed to meet the needs of their communities. Making no interest loans available to community housing organisations during the development/construction period will also address one of the biggest challenges for community housing organisations, that is, managing loan repayments over extended periods before homes are tenanted and rental revenues begin to flow.

1.3 Guarantee borrowings by community housing organisations for social and affordable housing

Providing a government guarantee of borrowing undertaken by registered community housing organisations for social and affordable housing supply would lower the costs of finance by making it explicit that the government would step in to prevent a community housing organisation defaulting on its lending agreement. The risk of default is extremely low since extensive regulatory protections are already in place to protect the interests of financiers, funders and tenants, including via the Queensland Regulatory System for Community Housing, ASIC and the Australian Charities and Not For Profit Commission. However, this additional assurance from the Queensland Government would provide comfort to lenders. This could be done either by way of a tri-partite agreement between the Queensland Government, the lender and the community housing organisation, or by regulation.

1.4 Cutting red tape to cut costs and speed delivery of housing supply

Red tape and cumbersome procurement processes are imposing unnecessary costs on community housing organisations, give rise to inefficiency and underutilisation of assets, and delaying delivery of additional housing supply. CHIA Queensland proposes that the Queensland Government take early action in the following areas to cut red tape and improve the efficiency of the One Social Housing system:

- Streamline procurement processes to remove duplicated effort and cut costs;
- Fast track registration of Special Purpose Vehicles; and
- Overhaul vacancy matching and referral of tenants.

Reducing the cost of procurement

Under current arrangements, duplicative and time-consuming procurement processes chew up limited community housing resources that could otherwise be deployed into increasing housing supply. It is not uncommon for community housing organisations to expend several hundred thousand dollars in responding to State Government procurement processes before securing



government approval (or not) to fund a project. Duplicative processes and overlapping requirements between the State Government and the National Housing Finance and Investment Corporation (now Housing Australia) compound these costs and time delays. Queensland Government procurement processes should be streamlined as a matter of urgency - for example, by establishing an approved supplier panel of growth providers whose broad growth strategies have been endorsed by government. In parallel, an 'always open' procurement channel would remain available to smaller providers seeking Queensland Government funding for smaller projects. This would enable community housing organisations to respond quickly to small-scale local opportunities that may emerge.

Fast-track registration of Special Purpose Vehicles where 100% owned by a registered CHO

Many community housing organisations seeking private finance facilitated by the Housing Australia Future Fund subsidies will wish to, or be required to, set up a Special Purpose Vehicle (SPV). This will ensure that those social and affordable housing assets are ring-fenced from any potential recourse action from lenders and protect the lender from exposure to risk in any other part of a community housing organisation's operations. However, registering a SPV as a community housing organisation in its own right is time consuming and will impose an additional administrative burden and ongoing reporting workload for both the community housing organisation and the Queensland Registrar of Community Housing.

It is proposed that an SPV be granted automatic registration on application to the Registrar if it is 100 per cent owned by a community housing organisation that is already registered and fully compliant with the National Registration System for Community Housing. This will avoid any undue delays in rolling out Queensland projects supported by the Housing Australia Future Fund.

Faster vacancy matching and referral processes

Community housing organisations report delays of three weeks or more in filling vacant properties because of inefficient referral processes from Housing Service Centres. These delays in re-tenanting properties exacerbate demand pressures on the social housing system and impact on cash flows and viability of community housing organisations. Several reforms could be implemented in the short term to improve the efficiency of the One Social Housing system and speed up vacancy matching and referral processes. As a first step, allowing community housing organisations to take applications from prospective eligible tenants, rather than refer them to Housing Service Centres, would improve the match of applicants with available properties and reduce the length of time properties remain vacant. Across the entire Queensland social housing portfolio, halving the average time to allocate social homes from 16 days to eight could deliver the equivalent of 88 extra social housing homes at no extra cost.⁴

1.5 Increase land available for community housing social and affordable housing developments

Securing suitable land is a major challenge for community housing organisations wishing to expand their social and affordable housing portfolios. Three measures are proposed:

- Following completion of State Government's land and building audit, make available more State-owned land to community housing organisations for social and affordable developments, on a land-rent basis or otherwise.

⁴ Queensland. Parliament. Community Support and Services Committee. 2023. Estimates Pre-hearing Question on Notice No. 02



- Expand opportunities for community housing organisations to redevelop the existing social housing portfolio to deliver more appropriate, higher quality, thermally efficient and comfortable social and affordable housing. Much of the existing social housing portfolio is not suitable for its tenants, but it is often well-located close to transport, services and jobs. Through the Queensland Government fast-tracking community housing organisations' redevelopment projects on existing social housing land, a revitalised portfolio could be delivered at minimal cost to government while protecting taxpayer-funded assets.
- Introduce inclusionary planning and other incentives including value capture policies (e.g., uplift or density bonuses) and inclusionary zoning to increase the supply of land for affordable rental homes, with the minimum target of 20 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. The social and affordable dividend from these planning incentives would be directed to community housing organisations' management and/or ownership to ensure that these homes remained as social or affordable housing for the longer term or in perpetuity.

2. Building capability across the community housing sector

Additional investment to build the sector's capability is needed to parallel the investment that the Queensland Government is currently making in its own operations to expand social and affordable housing supply. CHIA Queensland is seeking additional funding in four areas:

- Additional support to help CHIA Queensland execute its role as the industry peak body and accelerate the readiness of the sector to grow;
- Develop an industry roadmap setting out long-term strategic goals and strategies for community housing in Queensland;
- A pipeline of housing investment in regional Queensland through community housing organisations; and
- Helping community housing transform lives of its tenants by addressing energy poverty, lifting the quality of housing for tenants with disability, and enhancing community housing's role as a social landlord in the digital economy, providing or facilitating effective support services where needed.

Additional support for CHIA Queensland

CHIA Queensland provides distinctive, quality advice to government on housing-related matters from an industry perspective. Community housing organisations across the State call on CHIA Queensland for technical, legal, financial and policy advice to inform their operations. This is increasing as additional opportunities present through Housing Australia and under the National Housing Accord. The Community Housing Futures funding from the Queensland Government has highlighted just how important the industry perspective is and how much additional investment will be needed to ensure that Queensland community housing organisations can compete successfully for federal funding.

Specifically, CHIA Queensland is seeking support for a full-time Chief Executive Officer and additional project funding to enhance our ability to contribute expert, informed policy advice that meets the needs of both the State and community housing organisations. This additional



investment to build the sector's capability would parallel the investment that the Queensland Government is currently making in its own operations to expand social and affordable housing supply. Strengthening the partnership between the Queensland Government and CHIA Queensland will enable CHIA Queensland to provide the same level of support to Queensland community housing organisations that is enjoyed by community housing organisations in other jurisdictions.

CHIA Queensland is seeking additional project funding to advance work in four particular areas of pressing need:

- Building the financial and management capabilities of community housing organisations to enable them to meet the commercial standards that Housing Australia and other financiers will apply to applications for loans, grants or equity investments to promote affordable housing. Early feedback from the Community Housing Futures roll-out is that few Queensland community housing organisations have sufficient scale to fund business advisory services from their own resources, or have development experience that enables them to demonstrate their commercial capability to Housing Australia and other lenders without further assistance.
- Facilitating partnerships similar to during the early roll-out of the Housing Investment Fund where developers, builders and community housing organisations looked to CHIA Queensland to link them with potential partners. This partnership facilitation role for CHIA Queensland will increase over the next five years as opportunities present under the Housing Australia Future Fund and Queensland Government initiatives.
- Assisting organisations with governance and risk management issues, which is a key priority for CHIA Queensland. Many development risks are operational in nature including those associated with assessing project feasibility and undertaking due diligence, the planning process, and managing through the construction process. Finding the optimal legal arrangement to support a joint venture or creating a different legal structure to quarantine development risk, or getting advice on contractual, procurement or financing strategies are the areas where there is significant need for industry advice.
- Workforce planning and development, where the expansion of community housing demands new skills needed to deliver and manage substantial portfolios of assets on behalf of government and other investors, including strategic asset management, financial analysis, risk management, project management and construction, and the digital economy. CHIA Queensland's workforce planning and development project would be undertaken in partnership with Aboriginal and Torres Strait Islander Housing Queensland (ATSIHQ) and QShelter. This project would focus on identifying technical and operational skills required across the community housing industry, as a complement to the broad workforce support available to the housing and homelessness sectors from QShelter.

2.1 Industry roadmap

Funding is sought to develop an industry roadmap in partnership with ATSIHQ and Q Shelter setting out long-term strategic goals and strategies for community housing in Queensland. Developed in consultation with community housing organisations, industry and cross-sector partners, the road map would articulate a clearer vision for community housing in Queensland, strengthen its value, unlock innovation in delivery, support effective management of capital and risk, and ensure the sustainability and profitability of community housing.



2.2 Commit \$1 billion to a 5-year pipeline to deliver 3,000 social and affordable homes in regional Queensland through community housing

Regional Queensland had the least affordable rental housing of all states and territories in June 2022, outside capital cities.⁵ Lack of affordable housing in many regional towns is constraining economic growth and lack of housing diversity limits housing options for older people and those with disabilities. In the Darling Downs region, for example, lone-person households make up 40 per cent of households.⁶ They remain in larger homes, even when these are difficult to manage, because there are few other options available. Meanwhile, younger people and families struggle to find suitable accommodation and employers struggle to attract workers because of the shortage of appropriate housing. In some towns, much of the limited social housing stock available is over 40 years old.

A commitment to a 5-year pipeline to deliver 3,000 social and affordable homes in regions outside the South-East through community housing organisations would support local economies, lift housing choice and quality, and give local firms and community housing organisations the confidence and certainty they need to invest in their workforces. CHIA Queensland is seeking funding to develop a business case for a new delivery model that can support the work of regional community housing organisations by aggregating their efforts to a scale that can secure finance and help them bring forward development proposals for social and affordable housing. This will address the problem that historic lack of investment in regional community housing organisations means that few currently have the scale or expertise to successfully compete for funding, despite their clear ambition to expand housing supply.

2.3 Community housing can transform lives beyond just shelter

Community housing has the capacity to transform lives in ways that go well beyond provisions of shelter alone. Additional investment is sought in three areas: reducing energy poverty, improving housing quality for community housing tenants with disability who are not eligible for the NDIS, and improving tenant services.

Reduce energy poverty

After housing, energy costs are one of the largest expenditure items for low-income households, including those in community housing. Three measures that would reduce energy poverty among community housing tenants, lift housing quality and support Queensland's zero greenhouse emissions target are:

- Accelerating the roll-out of smart meters to all community housing homes by 2025 would benefit 15,000 low-income households by making it easier for them to manage their energy usage. Energy retailers are progressively installing digital smart meters when old meters need to be replaced, but this will take many years. Accelerating the roll-out to homes managed by community housing organisations would benefit some of the most disadvantaged households in our community.
- Establish a Virtual Power Plants (VPP) initiative across community housing portfolios in Queensland. Already operating in South Australia, VPPs lower power bills for tenants, reduce the likelihood of blackouts and require no upfront costs for tenants or community housing providers.

⁵ SGS Economics and Planning 2022 cited in Australian Institute of Health and Welfare. Australia's Welfare 2023. Housing Affordability; SGS (National Shelter) Rental Affordability Index, 2023.

⁶ University of New South Wales. City Futures 2022. <https://cityfutures.ada.unsw.edu.au/cityviz/housing-need-dashboard/>



- Clean Energy retrofits for community housing homes – a \$30m five-year program to improve the energy efficiency and thermal comfort of community housing rentals by measures such as:
 - Installing ceiling fans, insulation, draught sealing, and solar panels,
 - Installing heat pump hot water systems and reverse cycle air conditioners to replace inefficient hot water systems and heaters.
 - Require landlords to advertise the energy efficiency rating of rental properties where one exists for that home (both private and social homes) – this will help community housing tenants moving into private rental to evaluate the potential costs of running the home.

Minor modifications fund for community housing tenants with disability

A pool of funding for occupational therapist assessments and minor modifications should be available to community housing tenants living with disabilities who are not eligible for the NDIS, as is now available to public housing tenants. Extending this service to community housing tenants would enable them to make small changes to improve the quality of their rented social home at no cost to them. This will help address the lower level of satisfaction with housing reported by tenants with disabilities compared with other social housing tenants.

Enhancing community housing's role as a social landlord in the digital economy

Queensland's community housing organisations already have a proud reputation for high levels of tenant satisfaction, built on placing people firmly at the centre of their operations, promptly attending to repairs and maintenance, and maintaining the quality of the homes they manage. The evolution of the digital economy is raising tenant expectations of service access and easy engagement in community housing just as it is across the rest of the economy. Technology offers new opportunities to deepen tenant engagement, collect and respond to feedback, define and measure outcomes, better coordinate housing and support, manage assets, make financial transactions easier for tenants, and so on. However, it also raises challenges around privacy, cyber security, and raising the digital literacy of both community housing staff and tenants. CHIA Queensland seeks funding to conduct a 'digital readiness' project across the Queensland community housing sector and develop a business case for further investment to enhance the digital capability of community housing organisations.

Tenancy support programs

Helping people maintain their existing homes is far more effective than trying to find new homes for them after they have become homeless. Additional investment in tenancy support programs should reduce disruption to the lives of individuals and ease demand on crisis services. However, community housing organisations report that outcomes from existing tenancy support programs are extremely variable and better processes are needed to ensure the right support is directed to the right people and for the right length of time. While some people will need assistance for a relatively short period of time to stabilise their living arrangements, the growing number who need longer-term tenancy support is placing huge pressure on community housing organisations. Funding for CHIA Queensland's tenancy support best practice project will capture community housing organisation perspectives on how to improve assessment of support needs and measure outcomes to ensure that effective tenancy support is directed to those tenants who most need it and to programs that have proven to be most effective, including programs that are delivered by community housing organisations themselves.



Yours sincerely,

A handwritten signature in black ink that reads "A. Callander". The signature is written in a cursive, flowing style.

Annemaree Callander
Executive Officer