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INDUSTRY ASSOCIATION

September
2021

CHIA Response:

Inquiry into housing affordability and supply in Australia



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Inquiry into housing affordability and supply in Australia

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 100,000 homes, housing people on low and moderate incomes who find it hard to access affordable and appropriate housing in the private market.

The Community Housing Industry Association (CHIA) welcomes the opportunity to respond to the inquiry into housing affordability and supply.

The media release announcing the inquiry made clear that its main motivation is rising housing costs and declining national homeownership. CHIA accepts these are serious concerns. With home ownership come considerable benefits, including for many households, long term (financial) security. CHIA's National Plan for Affordable Housing¹ sets out our position on supporting entry into home ownership and market products such as Build to Rent Housing. However, housing affordability pressures exist for a broader range of households. For example, research² shows more than three million Australians were living in poverty after taking their housing costs into account. Of those, 1.3 million were not in *before-housing* poverty but had been pushed into *after-housing* poverty by their housing costs.

Our response is therefore largely focused on this part of the housing system where affordability issues are most acute and supply is most severely constrained i.e., social and affordable rental housing. In the submission we outline the supply and demand position, consider the benefits to governments from investing in social and affordable housing and offer solutions that can be implemented and / or facilitated by the Commonwealth Government.

The following points summarise why the Inquiry should give social and affordable housing supply prominence in its investigation:

- As revealed in the latest official figures (2016) 116,000 Australians are homeless on any given night. Moreover, especially in capital cities, the past decade has seen homelessness rising far ahead of general population growth.³
- The private rental market has not supplied dwellings at rents (i.e., \$202 or less per week) that are affordable to households in the bottom income quintile. While the market has supplied some homes at rates affordable to households in the second bottom quintile (i.e., at no more than \$355 per week) the homes are increasingly unavailable to these households; being occupied by higher income earners.⁴

- in 2016, there was a shortfall of over 650,000 homes across Australia, affordable to households in the bottom two income quintiles. Accounting for projected household growth to 2036, more than one million additional homes affordable to these lower income households will be needed over the next 20 years⁵.
- Using the projected number of households in Australia (ABS 2015) the number of social housing dwellings per 100 households has declined from 5.1 per 100 households in 2007–08 to 4.2 in 2019–20.

These national figures mask the disproportionate impact of shortfalls in suitable social and affordable rental housing on Aboriginal and Torres Strait Islander people. In July, the Productivity Commission reported that only 78.9% of the population was living in appropriately sized, not overcrowded homes compared to 92.9% of the general population⁶. To achieve the National Agreement on Closing the Gap, 2031 target of 88% will require addressing these suitable housing shortfalls.

While housing outcomes are primarily a state/territory responsibility under the Australian constitution, only with the active participation of both the Commonwealth and state/territory governments can any effort to significantly expand social and affordable housing provision succeed. Adequate and affordable housing is an aspect of social security which is a formal Commonwealth responsibility, and it is only the Commonwealth that possesses the scale of tax-raising and borrowing powers required to underpin the scale of investment needed. Indeed, the Affordable Housing Working Group Council set up by the Federal Financial Relations noted in its 'Innovative Financing Models to Improve the Supply of Affordable Housing' that *'Governments of all levels have a long history of involvement in the provision of affordable housing. State and Territory governments have been largely responsible (either directly or indirectly through CHPs) for the construction and management of affordable housing in Australia, with funding support and assistance from the Commonwealth Government'*⁷

Social and affordable rental housing is a fundamental part of a well-functioning housing system not simply a safety net service for the most disadvantaged. For some households its long-term provision provides the stability and security that enables them to participate in society, by for example, taking a chance on what can often be casual low waged employment. For others it acts as springboard into home ownership. In yet other cases it provides a platform on which to set up the scaffolding - supports – to enable individuals to resolve other issues in their lives. Last but not least it can enable a dignified old age after a lifetime working in less well remunerated employment.

In order that individuals can realistically move on from social and affordable rental housing, there also needs to more reasonably priced and high quality housing options. CHIA has participated in the Housing Productivity and Research Consortium (HPRC) because our members recognise the interconnections between the different parts of the housing spectrum and want to see improvements made to affordability across the system. In the HPRC's recent report – 'Housing - Taming the Elephant in the Economy'⁸ the authors summarise the home ownership challenge thus *'since the mid-1990s, housing prices have consistently outstripped income growth, the national home-ownership rate has fallen by 4% and the ownership rate for under 35s has collapsed, building in structural problems for future decades.'*

In this submission we do not address the ways in which home ownership can be made affordable again to younger and lower income households beyond acknowledging the scope to learn from existing national and international examples shared home ownership and rent to buy schemes. However, we make one observation from our participation in the HPRC, and that is that focusing on just one part of the problem, without recognising that housing unaffordability is a function of multiple factors, is unlikely to be successful.

Our short list of recommendations involves improving data, building on current institutions - specifically the National Housing Finance and Investment Corporation - to oversee the development and implementation of housing policy and complementary policy proposals to help finance social and affordable rental housing. The renewal of the National Housing and Homelessness Agreement between the Commonwealth and States and Territories during 2022 provides an opportunity for collaboration between the different levels of government to deliver on the other recommendations we have made.

Recommendations

1. Use the **National Housing and Homeless Agreement** to drive more social and affordable housing supply
2. Collect, collate and produce **nationally consistent data** on social and affordable housing supply.
3. Allocate resources to develop a **10-year National Housing Strategy** that includes a separate but integrated plan to address housing for Aboriginal and Torres Strait Islander people
4. Create a **national housing agency**
5. Dedicate resources to developing a recurrent **Federal Government social and affordable funding program**.
6. Secure more social and affordable housing through the planning system by supporting adoption of a national framework for mandatory inclusionary zoning.

Further information about the proposals is contained later in the submission.

Inquiry into housing affordability and supply in Australia

Social and Affordable Rental Housing Supply and Demand

Current Housing Stresses

The housing affordability challenge facing lower income households was starkly revealed by the Productivity Commission's 2019 report 'Vulnerable Private Renters: Evidence and Options'. This highlighted that most lower income renters experience housing affordability stress – i.e., have housing costs exceeding 30% of income. Furthermore, almost half of these households in rental stress are likely to remain stuck in this situation for at least five years. It is therefore unsurprising that, UNSW's City Futures Research Centre (CFRC) estimated in its report 'Filling the Gap', that by 2036 an additional 1,023,900 homes would be required to meet the needs of households in the bottom two income quintiles.

The COVID-19 pandemic has also exposed the consequences arising from a housing system that is not meeting the needs of many Australians in the bottom two income quintiles. The pandemic forced state governments to take action to address both rough sleeping and overcrowded shelters and boarding houses where residents share facilities. We acknowledge their achievements while, at the same time noting that many departed temporary accommodation without a longer-term housing option and questioning how permanent homes for those remaining will be secured.

Infrastructure Australia, in its 2019 Infrastructure Audit,⁹ identified four key challenges facing the social housing system – the absence of sufficient affordable homes for households able to move on from social housing, existing social housing not meeting current needs, deteriorating property condition, and severe overcrowding in remote Indigenous communities. The 2021 Australian Infrastructure Plan recognises that *'well-maintained and designed social housing provides many community benefits, supporting individual and societal wellbeing and productivity, and reducing costs in health and justice services'* and recommends the design and implementation of programs to increase supply.¹⁰

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

The Demand for Social and Affordable Housing

There have been few attempts to estimate the demand for social and affordable housing which has been neglected by governments at all levels in Australia. Often used as a proxy for social housing need are the state / territory social housing wait lists. However, these exclude or discourage registration by many low-income households in housing need through 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 also subject to varying and sometimes erratic administrative practices which also limit their value as a 'true' need indicator. There are no wait lists for affordable housing. For the reasons outlined above, waiting lists are an unsatisfactory basis for reliably estimating need.

Three more robust attempts have been made. 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'.¹¹ 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](#), as 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 the one million 'social and affordable housing need' 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

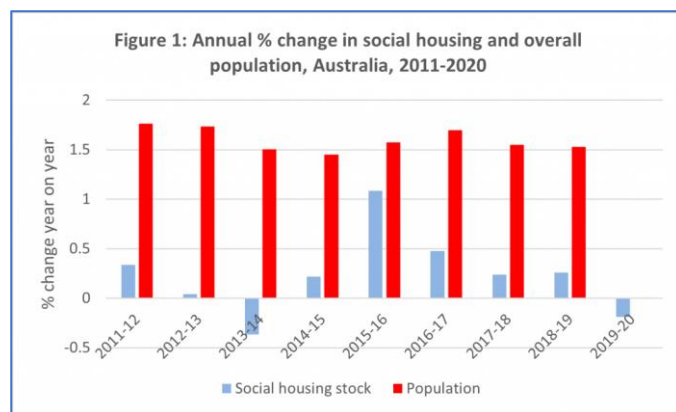
Australia requires 12.5 per cent of its stock to be social and affordable housing. Given this includes affordable rental housing, the total is reasonably consistent with the other two estimates.

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, both forms of accommodation combined currently total only around 4.2% nationally. This is down from the 6.5% of all stock represented in 1996 when the Commonwealth Government effectively ended the routine national supply program that had run for the previous 50 years. By way of comparison, England has circa 17% social housing, whilst the OECD norm is circa 7%.

The Supply of Social and Affordable Rental Housing

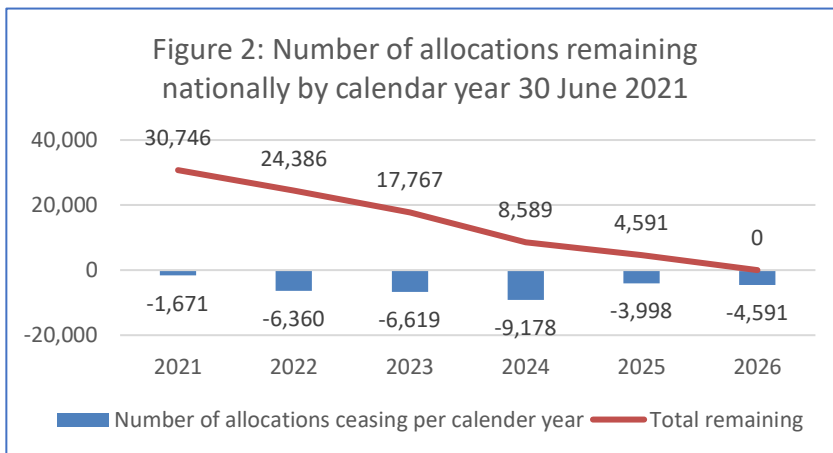
Currently, new social and affordable housing construction is barely keeping pace with sales and demolitions, let alone achieving output sufficient to keep pace with population growth. Indeed, as Figure 1 sourced from UNSW City Futures Research Centre ¹² indicates there was an absolute reduction in social housing during 2019/20. This means



that the proportionately declining provision seen over the past 25 years decline is set to continue. Even in Victoria, the state government’s recently announced Big Housing Build anticipates increasing existing social housing stock by only just enough to maintain social housing as a proportion of all housing over the program’s 4-year time horizon.

A more meaningful measure of the decline in social housing supply is the reduction in the annual number of such properties being let to new tenants. This measure incorporates the impacts of declining gross provision (see above), the reduced number of newly built social rental homes coming onstream, and the contracting availability of affordable ‘move on’ accommodation (meaning fewer existing tenants have the capacity to transition into the private market). Therefore, as CFRC quote in their response to the ongoing Federal Homelessness Inquiry, ‘Taking into account both public housing and community housing, the gross number of social rental lettings dropped from 52,000 in 1997 to 35,000 in 2017 – an absolute decline of a third¹³. Pro rata to population, this represents an effective reduction in social housing supply of some 50%’.

Regrettably there is no source of information about the social and affordable housing pipeline. States and territories do not publish this information. Beyond point of time ABS data¹⁴ on public sector homes under construction there is little available. The March 2021 ABS release shows, 2,695 homes were under construction, around 1.4% of the total residential dwelling under construction total. The only other ‘change of provision’ issue concerns homes constructed under the NRAS program and held as affordable rental dwellings, whose non-market status may end when NRAS incentive payments end after 10 years. Figure 2 below shows the withdrawal of incentives and information on expiry of NRAS.



Source: [June 2021 - NRAS Quarterly Performance Report | Department of Social Services, Australian Government \(dss.gov.au\)](#)

There is therefore an urgent need to collect and report on the future supply of social and affordable housing, both gross and net of homes lost to the system through

sale and demolition.

The social, economic and productivity benefits from investing in social and affordable housing.

There are major opportunities that will flow from tackling housing unaffordability through re-starting social and affordable rental housing investment. Traditionally, housing developed and managed by CHIA members has been valued for meeting social needs by providing safe, secure and affordable homes to vulnerable and low waged households who cannot access suitable market housing. More recently, research evidence has demonstrated that government investment in social housing (and, where necessary, floating support services) can produce net financial gains in terms of overall cost to government.¹⁵ The report quantifies the cash, public sector savings and monetary wellbeing equivalents of the wider social and economic impacts that can be unlocked through investment in social and affordable housing, and expresses these as a proportion of the cost involved.

Building on this work, CHIA and its partners commissioned Swinburne University to incorporate wider social and economic benefits in a social cost-benefit assessment of social and affordable housing.¹⁶ The work provides the basis for a submission to Infrastructure Australia's Priority Projects List. While the provision of social and affordable housing requires financial assistance to be viable in commercial terms, the report finds that 'the estimated wider social and economic benefits (WSEB) in this report show that the overall societal gain from providing social and affordable housing exceeds the cost of public support required to deliver new housing construction, even at relatively high discount rates (7%).

Increasingly, the broader economic outcomes that flow from our work are being recognised, notably the positive impact on human capital and hence economic productivity¹⁷.

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

In 'Strengthening Economic Cases'¹⁸ the research team led by Professor MacLennan modelled how housing outcomes impact economic growth and productivity, with a particular focus on the Sydney metropolitan

area. The productivity modelling exercise was based on an Economic Impact Assessment (EIA) which revealed strong, positive productivity effects from investing in better housing outcomes over a 40-year timescale that reduce commuting times and extend access to a wider set of labour market opportunities. While specific to Sydney, similar outcomes would be likely for other major Australian cities.

The scale of potential productivity gains from government investment in well-located affordable housing suggest an economic performance impact that compares very favourably to most other infrastructure investments, including transport projects. However, due to limitations in modelling capability these gains do not include the economic impacts arising from relief of the excess housing cost burden experienced by many private renters, and newer homeowners. The report estimated that the excess of rent payments over a 30% contribution averaged just under \$6000 per household p/a, amounting to \$1.8B p/a for NSW and absorbing an estimated \$1.4B of Commonwealth rent support.

These benefits some in addition to the role that social and affordable housing provides as a *'sustainable economic stimulus.....due its often large fiscal volume, employment intensity and the long-term orientation of most projects'* identified by the OECD in its 2020 publication *'Social housing: a key part of past and future housing policy'*¹⁹. Further, social and affordable housing acts as a key counter-cyclical investment opportunity during market downturns²⁰ and can assist governments by act as a catalyst for the take-up of environmentally sustainable construction techniques.

Addressing the Challenges

Underpinning the mismatch between the demand for and of supply of social and affordable housing is the absence of long-term joined up strategic planning. Arguments between the Commonwealth and States and Territories over the responsibility for funding new supply has become the dominant narrative rather than collaborative work to address the ever more urgent challenges.

Apart from the undersupply highlighted above are concerns around the condition of existing public housing and a dwelling profile which is inappropriately sized for current tenant cohorts. In some jurisdictions public housing is being sold to finance the improvement in the remaining portfolio.

Current and previous Commonwealth Governments have taken steps towards creating institutions that could enable a significant increase in affordable rental housing. The investigation into *'innovative finance models'* carried out by the Government's Affordable Housing Working Group (AHWG)²¹ was instrumental in NHFIC's establishment. The low-cost finance options that have subsequently become available via NHFIC have reduced CHO interest payments. However, the resulting savings go only a short distance towards bridging the social and affordable housing funding gap²² as acknowledged by the AHWG. That is, the difference between the cost of developing and managing affordable housing (land, construction, housing management and maintenance) and the income received (from rents and Commonwealth Rent Assistance).

Our recommendations for addressing the challenges are outlined below.

Use the National Housing and Homeless Agreement to drive new social and affordable rental housing supply

The National Housing and Homelessness Agreement (NHHA) will be renewed from July 2023, following a review by the Productivity Commission. The opportunity should be taken to use the agreement process to deliver a national plan and measures to increase social and affordable housing supply. Under the current agreement the Commonwealth and States and Territories agreed to a suite of objectives including reducing homelessness and rental stress²³.

The recommendations we have made below are all capable of implementation through the NHHA. A national housing strategy would complement the existing requirement for state and territory plans and clearly articulate the responsibilities and funding contribution from each level of government. A national housing agency could administer national funding programs and collate and produce reliable housing data. Through the NHHA an agreement on a clear, consistent framework for planning contributions towards social and affordable housing.

Collect, collate and produce nationally consistent data on social and affordable rental housing supply.

A priority must be to establish a system for collecting and reporting reliable information about affordable housing supply. The UK Government Ministry of Housing, Local Government and Communities publishes live tables on English affordable housing supply²⁴ which breakdown supply by location and program type (social, affordable rental and shared ownership etc) and predominant 'grant' funding mechanism. Something similar should be built up over time in Australia.

Allocate resources to develop a 10-year National Housing Strategy

Correcting the sub-optimal performance of Australia's housing system calls for more fundamental long-term actions; hence our recommendation that the Commonwealth Government commits resources to developing a 10-year National Housing Strategy to tackle the supply and demand drivers of housing affordability in a coordinated way across all levels of government.

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

As noted above, through the NHHA the Commonwealth government has the scope to encourage positive change at this level of government. However, in the absence of a coherent, coordinated National Housing Strategy, it is unlikely that these measures will have the enduring impact, at scale, which is required.

A National Housing Strategy should contain clear targets for overall housing supply, and for homes that are affordable to households in all income quintiles. The strategy should also contain separate but fully

integrated plans to tackle homelessness, the housing needs of Indigenous households and for people with disability.

There are positive international examples to draw on. Canada is one. Like Australia it has had 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](#)) 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.

In 2016 it was tasked with preparing a national housing strategy²⁵. The resulting ten-year strategy increased Federal investment in subsidised housing through a combination of initiatives including a stimulus program – the rapid housing initiative, low-cost loans, rental subsidies, substantial funds to ‘transform’ the community housing sector, as well as on going grant. CMHC is responsible for delivery of the strategy.

As in Australia there are bilateral agreements between the Federal government and the provinces, the major difference to Australia being that each province must prepare an action plan detailing how the resources will be allocated and report against annual targets that contribute to the NHS. One example - that between the Federal Government and British Columbia is [here](#).

Create a national housing agency

The development and delivery of a national housing strategy will require dedicated resource, whether that is through an existing agency (NHFIC being the obvious example) or department or through the creation of a new purpose-designed body. Reinstating something similar to the Housing Ministers Advisory Council via the National Cabinet process to promote intergovernmental coordination and cooperation and mechanisms to enable wider stakeholder participation are also recommended. One option is to reinstate an improved version of the Housing Supply Council²⁶ within NHFIC.

NHFIC through its newly established research function is also well placed to develop a robust and nationally consistent approach to housing needs assessment. There are international examples on which to draw. Reliable information about housing needs is vital for the production of not just national but also state and housing market / regional plans. NHFIC has already recognised that it has a role to play in this field in the 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*²⁷. An ambition should be for the State of Nation Reporting to evolve into something more akin to the UK Housing Review²⁸ 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*’.

Dedicate resources to developing a recurrent Federal social and affordable funding program

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

worthy of further consideration. There may be scope for the AHWG to be reconvened to consider innovative funding (rather than financing) models.

To serve as a basis for discussion CHIA together with a number of partners including the [Constellation Project](#) and Industry Super Australia have developed a funding mechanism - [the Housing Boost Aggregator](#) (HBA). This would unlock a new stream of private sector investment to bridge that funding gap, allowing more housing projects to go ahead. This is a tried and tested policy approach, similar to the United States Low-Income Housing Tax Incentive Scheme²⁹, which has operated for more than 30 years, supporting construction of around 110,000 affordable rental units annually and more than two million units since its inception. In brief every year, the Commonwealth Government would make tax credits - the Boost - available, and run a competitive tender process to award those tax credits - the Boost - to CHOs. The amount of the Boost awarded would vary, with the size of each project's funding gap (after all other available state/territory funding, planning contributions, borrowings and cross-subsidies) taken into account by the Commonwealth Government.

CHOs will be able to claim the Boost from the ATO annually for ten years, after their development is completed. But as many CHOs need upfront capital to begin construction, a new or existing government agency (the **Housing Boost Aggregator**) would enable CHOs to 'convert' their Boost into upfront capital by acting as an intermediary between individual CHOs and large-scale institutional investors, such as super funds. The HBA would aggregate CHOs' capital requirements, create a fund and offer shares in that fund to institutional investors. The capital raised would be passed to the individual CHOs. Once their projects are built and tenanted, the CHOs will claim their Boost - tax credits - annually and, via the HBA, transfer them to the institutional investors.

Promote greater social and affordable housing provision through inclusionary zoning.

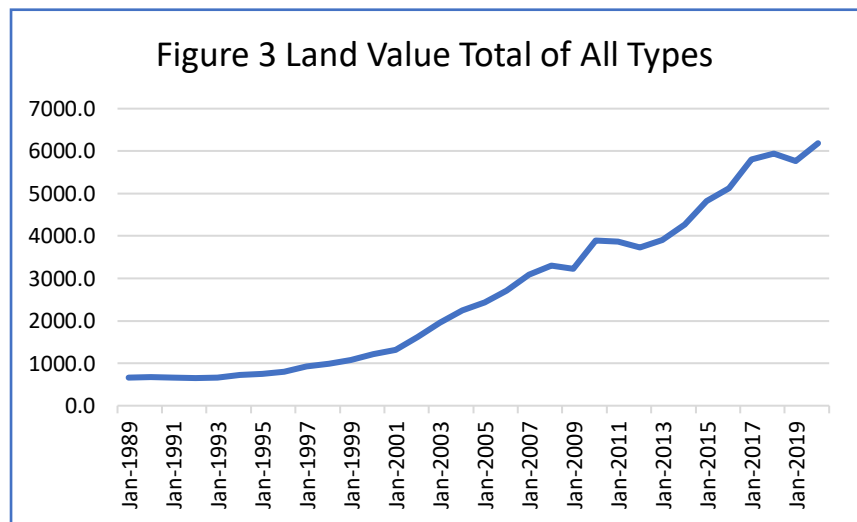
The planning system through regulation can play a positive role in contributing more social and affordable housing without adding costs to the development industry, nor impacting on supply. Mandatory Inclusionary Zoning (MIZ) or equivalent mandated schemes have operated successfully in many different jurisdictions throughout Europe and the United States. In England, for example where local authorities have had powers to mandate affordable housing, in 2019/20 almost 20,000 social and affordable homes were generated solely through section 106 obligations i.e., without any other grant funding. Of these homes 3,812 were social rented homes.

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.³⁰

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 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 infrastructure³¹. The proposal is consistent with the recommendation 31 in the recent 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’.³²

Development contributions can be, often 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 would be designated, in perpetuity, as social and affordable rental housing, under CHO ownership and / or management. Rather than adding to construction costs, the requirement would 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) will 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 3 - and we believe could accommodate a social / affordable housing contribution i.e., that land would retain a significant positive value.



Source: ABS - Table 61. Value of Land, by Land use by State/Territory - as at 30 June, Current prices

Conclusion

In conclusion, CHIA urges the Committee to give due consideration to the chronic undersupply of social and affordable housing in the Inquiry’s considerations, and include recommendations to address this.

Notwithstanding state government-funded social housing initiatives, notably in Victoria but also in Tasmania and Queensland, Australia is on a trajectory where social and affordable rental housing continues to decline as a percentage of total dwellings. While CHIA also welcomes actions that will reverse declining home ownership in a sustainable way, there needs to be similar priority given to housing unaffordability affecting low income renters. We are in any case doubtful that increased market housing supply could help ease house price inflation. But even if this were possible, it is highly questionable that any benefit would flow through to the lower end of the market. Expanding the currently inadequate levels of supply in this part of the system can happen only through stepped-up government funding to enable this.

On 14 June 2021, OECD Secretary-General Mathias Cormann launched the OECD Housing Policy Toolkit that, in his words, would ‘help policymakers design better housing policies that address the reality of

*developments in housing markets, such as the affordability challenge, and improve the considerable effect housing policy has across societies'*³³. In addressing this agenda, the OECD's number one priority is 'unlocking additional supply', emphasizing that, within this, ['\[m\]ore public investment in energy-efficient social housing would ease housing difficulties, especially for households on low or unstable incomes'](#).

Building more social and affordable housing will add to housing supply in a beneficially counter-cyclical manner. This has the same multiplier effects as market housing construction. Its cost to government is offset or even outweighed by the benefits realised in reduced expenditure in other public sector budgets. And, especially over the longer term it can contribute to the productivity gains that come from raising human capital. By creating NHFIC, the Commonwealth Government has put in place one important element to unlock social and affordable housing supply. We now need complementary reforms, smart institutions, funding and policy settings, all articulated in a national housing plan to meet the current and future challenges.

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