



CHIA 2022 FEDERAL ELECTION

Housing Our Community



Elevate Foundation Housing

Social and affordable rental housing shortages across Australia mean that many households are paying far more rent than they can afford. Many are being pushed towards homelessness. At the same time much of our existing social housing is in poor condition, fails to meet basic energy standards and lacks climate resilience, making it expensive to run for both tenants and housing providers.

In today's housing market few lower income Australians have any realistic prospect of ever buying a home. First home buyer assistance schemes have tended to be targeted at moderate income earners able to service a large mortgage; few such schemes have genuinely pushed home ownership down the income scale, in a sustainable way.

Effectively tackling these complex problems is challenging. But with the political will to do so, and guided by a long term national housing strategy, the challenges are not insurmountable. Such a strategy must be actively led and invested in by the Federal Government and developed by a national housing agency. It must galvanise contributions from all other levels of government, from the private sector, from faith-based organisations, and other philanthropy, and our own industry – community housing.

As part of the national housing strategy we are calling for all parties to:

- 1. Invest in the construction of 25,000 new social and affordable rental homes, per annum, by the community housing industry.**
- 2. Enable lower income households to move from social and affordable rental housing into home ownership by supporting a national build to rent to buy program.**
- 3. Work with state and territory governments to establish a national climate resilience fund to support retrofitting or renewal of poorly performing / located social housing particularly managed by community housing organisations.**

TOO MANY PEOPLE DON'T HAVE ACCESS TO GOOD QUALITY AFFORDABLE HOMES

Rents and house prices have surged ahead of wages

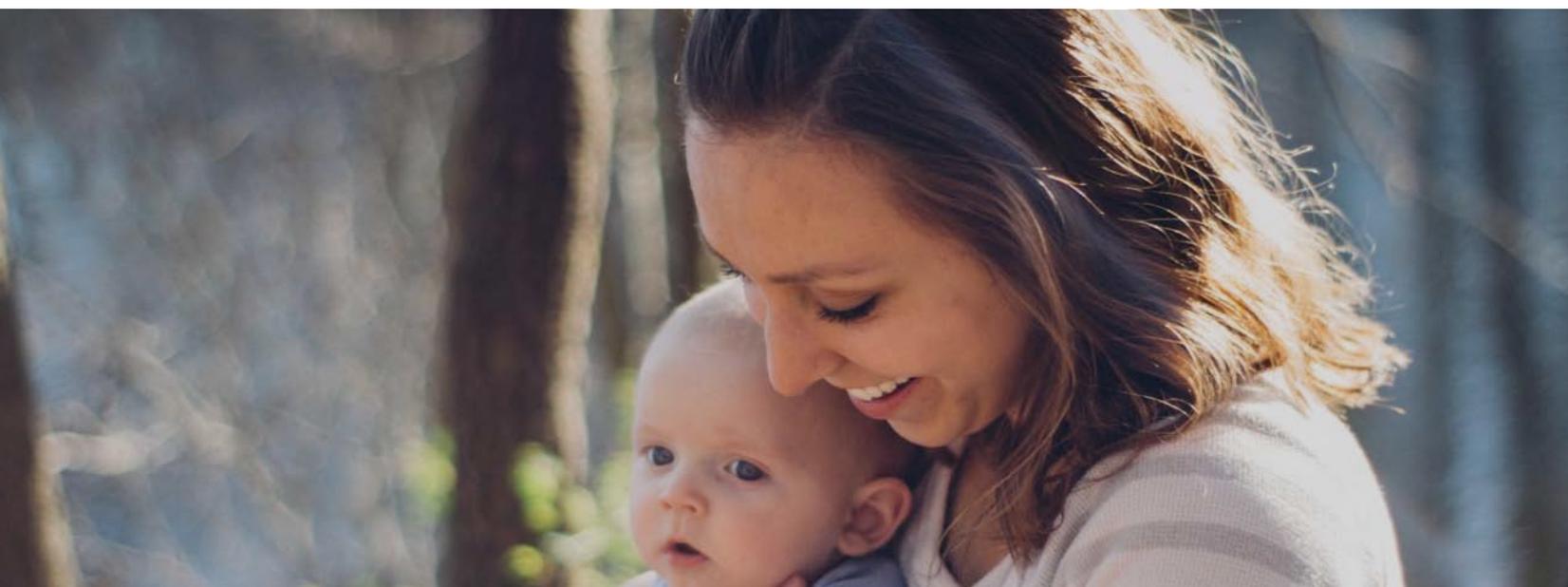
- Across Australia rents accelerated by over 8% in the year to August 2021, the fastest increase in over ten years. Meanwhile while wages grew by a paltry 1.7%. In regional Australia rents rocketed by an extraordinary 12.4%.ⁱ
- House values were up 22.4% over the year to Jan 2022, the highest annual rate of growth since 1989. In approximate dollar value terms, the typical Australian home now costs \$131,236 more than a year ago.ⁱⁱ

First home buyers struggle to get into the market and social housing wait lists are growing

- Nationally, the proportion of houses sold under \$400k reduced from 44.7% in 2011 to 23.7% in 2021, while unit sales costing under \$400k reduced from 48.2% to 28.7%.ⁱⁱⁱ
- The time required to save for a deposit has doubled since the early 1990s from around 4 to 8 years, while the size of the upfront deposit required has increased more than fivefold to almost \$130,000.^{iv}
- High rental costs are also a key reason behind why prospective first home buyers struggle to save up for a deposit.
- Nationally, the total number of social housing applicants increased by 5% in 2021 to 163,808 (up by 13% since 2017).^v

Leading to more households in rental stress

- The decline in private rental affordability has been particularly acute over 2020/21, with growth in median rents (5.9%) more than double that of median disposable income (2.9%).^{vi}
- National Housing Finance and Investment Corporation (NHFIC) estimates the proportion of private rental properties affordable to people in the bottom income quintile anywhere in Australia as zero.^{vii}



And more users of specialist homelessness services can't be assisted with accommodation

- Approximately one-third of people seeking help from homelessness services are not having their immediate accommodation needs met. This has risen from 29% in 2016.
- The proportion not having their needs met is 45% in NSW – up from 34% in 2016 ^{viii}.
- Even with Commonwealth Rent Assistance (CRA), 46% still experienced rental stress - paying more than 30% of their income in housing costs. More than one in six were paying more than 50% of their income in rent ^{ix}.

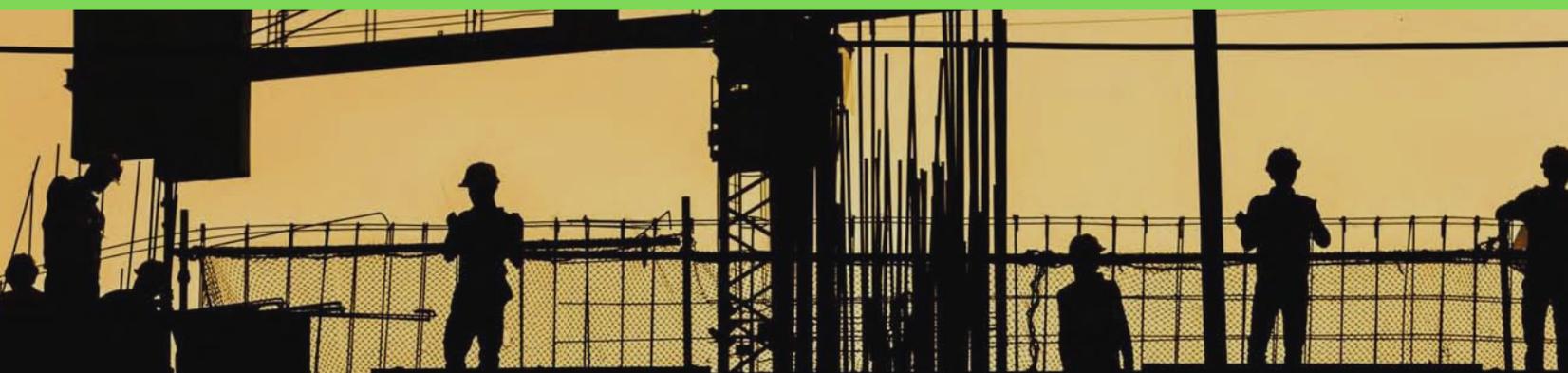
And too many Australian homes fail to meet basic energy standards and, much state and territory owned social housing is in a particularly poor condition

- The average energy efficiency rating of existing homes in Australia is only 1.7 stars compared to the new homes average of 6.1 stars ^x.
- Much of the social housing stock was built over 40 years ago, its energy efficiency is likely to be amongst the lowest in Australia ^{xi}.
- There is little public information about the condition or energy performance of social housing. However, 25% of public housing tenants and 18% of those in community housing managed dwellings report their homes have more than two structural defects. ^{xii}

MEETING THIS CHALLENGE NEEDS A LOT MORE EFFORT

Demand for social and affordable rental housing is growing

- Overall, across Australia, social housing numbers have increased by only 10,897 (or by 2.6%) in ten years (between 2012-2022). This compares to population growth between 2011-2020 of 15%.
- Over the period 2016 to 2036, research estimates some 727,300 additional social rental dwellings are required.
- To simply prevent further deterioration in the current shortfall of social housing, 290,000 homes are required 2016-2036 period, or 15,000 annually (in recent years the actual total has been 2000-3000)
- Including housing need requirements for households in income quintile 2, total housing required by 2036 is just above one million homes.
- Research evidence suggests that social/affordable rental dwellings needs to equate to around 8–9% of Australia's total housing stock. Currently the figure is just over 4%.



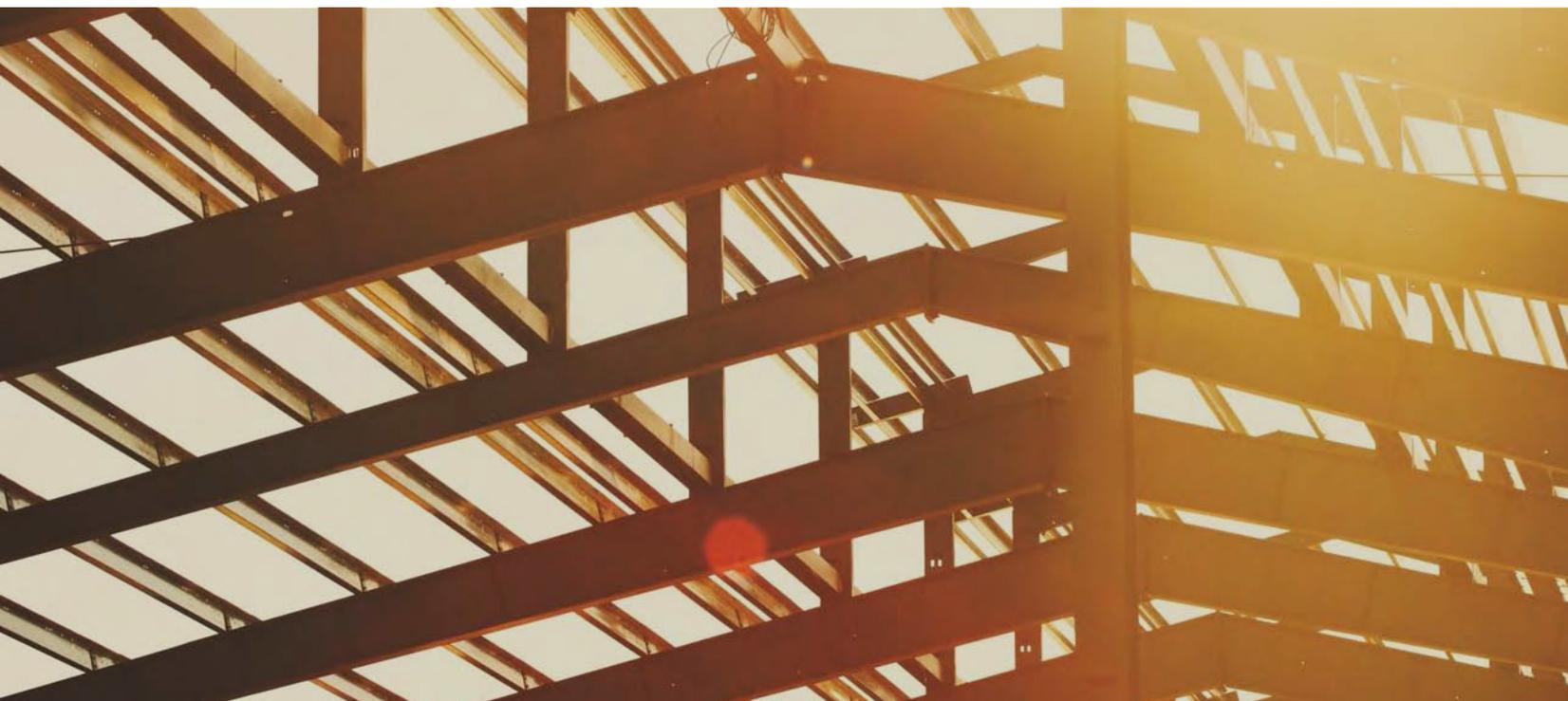
We are not (1) building enough new social and affordable rental homes and (2) investing sufficient in improving or replacing existing social housing

- Between 2011 and 2020 the average annual growth of social housing was 0.4%. To meet the need identified above, the growth rate should be on average 5.5% pa .
- Despite recent commitments by several state governments to fund social housing programs, if we factor in the sale and demolition of existing stock, Australia is forecast to add only around 5,500 social housing units pa for the next four years ^{xiii}. This equates to a 1.4% pa growth rate.
- Around two thirds (20,000) of the remaining affordable rental housing built under the National Rental Affordability Scheme, are projected as to revert to market housing between 2022 and 2026 when incentives expire.
- There is no nationally co-ordinated strategy to decarbonise and make resilient social and affordable rental housing.

THE INVESTMENT REQUIRED TO MEET THIS CHALLENGE GENERATES SIGNIFICANT BENEFITS

Without a secure home, people are less likely to leave family violence situations, return to the workforce or attend to health conditions. They are also more likely to ‘use’ corrections services, be in poor mental health and have little income over to spend on goods and services in other parts of the economy.

- The public cost of not investing in the projected shortfall of social housing by 2036 (the wider social and economic benefits -WSEB - foregone) is estimated to be \$11.8 billion over the 15 years to 2036 (NPV 7% discount rate). In light of the unquantified benefits (e.g. the asset value and support service provision), this estimate is considered as conservative. ^{xiv}
- Meanwhile, constructing 25,000 social and affordable homes per year would generate an annual economic output of \$12.9 billion, and create 15,700 jobs.^{xv}



THE PATH TO MORE AND BETTER SOCIAL AND AFFORDABLE HOUSING OPTIONS

An evidence based comprehensive housing strategy

The accessibility, security, condition and location of housing all have a significant effect on the development of human capital and on the economy. Gibb (2017) identifies three national outcomes that are dependent on a well-functioning housing system:

- Longer healthier lives
- Sustainable places that are close to jobs, services and amenities
- Strong resilient communities

If any part of the system is broken, the whole system is broken, so fixing Australia's housing affordability crisis requires coordinated effort across the breadth of the housing system.

A comprehensive evidence-based housing strategy will treat housing as an interconnected system, encompassing social housing, below market affordable housing for low paid workers, and affordable home purchase, alongside market-price options such as build to rent.

The strategy must be informed by demographic forecasts analysis of housing affordability, unmet needs and dwelling conditions, and should be linked to other national plans including those for infrastructure and climate change mitigation.

Increasing private market housing supply does not make housing affordable to low income Australians. Specific measures are needed to deliver housing that people on lower incomes can afford.

The strategy must therefore include:

- Clear targets for overall housing supply.
- Clear targets for new homes affordable to households in income quintiles 1 and 2.
- Separate but integrated plans to reduce new homelessness through effective prevention and to assist already-homeless people through Housing First programs; to address First Nations housing needs; and to respond to the unmet housing needs of people with a disability, veterans and others failed by the current housing system.

The next Commonwealth / State National Housing and Homeless Agreement (NHHA) could play a central role to drive new social and affordable housing supply .

The scale of the housing affordability crisis demands that all levels of government must contribute, as must the construction industry, institutional investors and the community sector. The community housing industry is a key player in shaping and delivering a better-performing housing system.

Forging and implementing the national housing strategy will call for dedicated resources, whether through an existing agency such as NHFIC, or department, or through the creation of a new purpose-designed body.

Mechanisms for intergovernmental housing collaboration are essential. These could include a revived Housing Ministers Advisory Council under the National Cabinet process, and an advisory council for the national housing strategy. This should include independent experts such as former senior government officials, industry experts or academics.

ACTION 1

Establish a dedicated national housing agency responsible for the National Housing Strategy, supported by a multi-sector strategic housing advisory council, providing independent expertise and guidance.

ACTION 2

Commit to a national housing strategy setting out a comprehensive, evidence-based and long term framework for Australia's housing system, accompanied by an initial five-year funded action plan.

Investment in housing as essential infrastructure

It's time to acknowledge housing unaffordability as a national economic concern. Adequate and suitable housing provision is as important as other critical infrastructure such as roads, public transport and utilities. Social and affordable housing is a community asset which will deliver a return to the public. It is an urgent priority for Australia.

Affordable, appropriate housing is the foundation from which disadvantaged people can stabilise their lives, engage with education and training, and gain employment and financial independence. The location of social and affordable rental housing needs to enhance people's capacity to participate in employment and training.

Importantly, by working with the community housing industry, governments can ensure that public expenditure leverages further private lending or investment, to maximise public value.

The Commonwealth Government should also lead an improved national approach to supporting social and affordable rental housing. CHIA with its partners have developed a policy blueprint for consideration - The **Housing Boost Aggregator (HBA)**^{xvi}.

The HBA aims to bridge the funding gap that prevents CHOs from building new social and affordable housing. It involves 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 instruments have been proven to work internationally. In the United States, for example, tax credits have successfully underpinned affordable housing supply for three decades.

THE CASE FOR A HOUSING AGGREGATOR

The housing capital aggregator's objective is to enable large-scale private investment in Affordable rental housing.



The HBA is capable of adaptation and could work with cash payments instead of tax credits as the subsidy mechanism. The cash payments generated from a Housing Future Fund could also be used as the ongoing subsidy.

New public funding is essential but is not the only way for governments to respond. Through the National Housing and Homeless Agreement (NHHA) the Commonwealth Government could also contribute to or influence the development of other initiatives including the use of surplus government land (at nil or discounted prices) and support for affordable housing through the planning system – for example, through mandatory inclusionary zoning (MIZ) schemes where, as a condition of development approval, developers of market price housing make a contribution to social and/or affordable housing provision.

To help overcome the barriers to MIZ CHIA has participated in a process convened by the Constellation Project to develop a **MIZ National Framework**. The framework could be adopted in any jurisdictional scheme while allowing a degree of customisation to suit local circumstances and legal frameworks. In essence, it provides clarity, consistency and thus certainty to developers – a key industry concern about affordable housing development contributions, as voiced most recently in NHFIC’s paper on how to pay for infrastructure ^{xvii}.

ACTION 3

Incorporate programs within the proposed national housing strategy that will build towards the target of an average of 25,000 new social and affordable rental homes a year. These homes should be funded through investment from all levels of government, the private and not for profit sectors.

ACTION 4

Provide a Commonwealth Government funding stream for the development of social and affordable rental housing that leverages contributions from other levels of government, the private and not for profit sectors.

ACTION 5

Incorporate within the next NHHA, support for land-use planning policies that stimulate more social and affordable rental housing development. This could include a Commonwealth commitment to co-funding jurisdiction-specific MIZ policy design work, perhaps based on a common base model. To incentivise effective deployment of such powers there could be a Commonwealth commitment to match-fund the value of affordable housing development contributions generated in the first (say) three years of a new scheme to help embed the mechanism into development control processes.

Ensuring the social and affordable rental sector is climate resilient and achieves net zero emissions.

While data about social housing energy performance standards is not published, it is accepted that many of the older State-owned homes managed by CHOs or Indigenous Community Housing organisations (ICHOs) perform poorly, contribute to Australia’s greenhouse gas emissions, and generate excessive energy bills for residents. In addition, as extreme weather events become more common, more homes in more communities will be exposed to resulting damage and potentially destruction.

With the right sort of policies and support, the sector can contribute to achieving Australia’s 2050 net zero plan. The new NHHA must include provision for a joint State and Territory funded social and affordable rental housing climate resilience fund. To tap into this, CHOs or ICHOs would need to submit costed proposals for assessment.

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'.

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 a climate resilience fund in the 2023 NHHA^{xviii}.

Clearly it is reasonable to upgrade existing homes only when the benefits are assessed to outweigh the costs. The fund should, where retrofitting is not feasible, allow for replacement of the homes.

The NLEPP anticipates spending \$5,000 per home on around 100,000 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^{xix}.

ACTION 6

Establish, under the NHHA, a national climate resilience fund to support retrofitting or renewal of poorly performing / located social and affordable rental housing managed by CHOs and ICHOs.

Support lower income households to move from social and affordable rental housing into home ownership

Many people entering, or living in, social housing aspire to own their own home but are unable to take advantage of current forms of assistance such as NHFIC's home deposit guarantee scheme. While initiatives such as shared equity home ownership operate in certain jurisdictions, these remain very small in scale and are similarly targeted towards people with the moderate incomes that would be required to support a sizeable mortgage.

NHFIC could commission work to review existing schemes in Australia and internationally with a view to identifying desirable design features. It should also consider the demand from lower income tenants (particularly those in social and affordable housing or disadvantaged cohorts such as older women), and the support that these cohorts might need to take advantage of these schemes and, assist them, in sustaining home ownership.

There is potential for the HBA model we have proposed to deliver a build to rent to buy model as proposed by NHFIC^{xx}. In brief, this would involve a proportion of the homes delivered being targeted at individuals who would be supported to purchase the home after around ten years of renting.

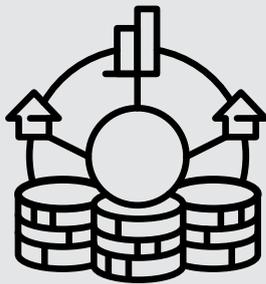
ACTION 7

Allocate \$100K to NHFIC to work with CHOs to support the development of practical and sustainable proposals to assist social and affordable housing renters into affordable home ownership.



COMMUNITY HOUSING IN AUSTRALIA

**\$18 BILLION TOTAL
CHO ASSETS**



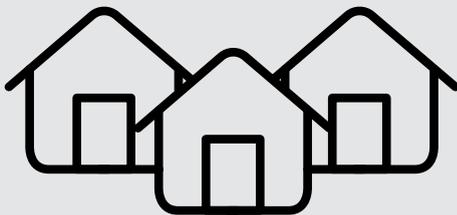
**Up 11% on previous year, includes
\$12 billion land and buildings**

**\$1.8 BILLION TOTAL
REVENUE**



61% revenue from rents (\$1.1B)

**OVER 35,000 DWELLINGS
OWNED BY CHOs**



**Over 100,000 dwellings
managed by CHOs**

**13% REVENUE
SURPLUS**



**After aggregating all
expenditure by CHOs**

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