

Submission on the National Housing and Homelessness Plan

PowerHousing Australia
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Executive Summary

PowerHousing Australia commends the Australian Government in the development of a National Housing and Homelessness Plan. There is immense opportunity for this Plan to be instrumental in guiding the Australian housing landscape, while ensuring some of the most vulnerable Australians, including those experiencing homelessness are well considered.

Community Housing Providers (CHPs) are dedicated not-for-profit providers of social and affordable housing who are on the forefront of the housing affordability crisis and can provide sustainable solutions to help mitigate the crisis. PowerHousing Australia and our 37 Tier-1 and large scale CHP members, provide large scale social and affordable housing to 90,000 households and 150,000 tenants (80% of total CHP housing nationally) across the country with the majority being low to moderate income earners and vulnerable Australians. Our 60 affiliate partners include national finance investment, construction, materials, labour, software, housing data and supporting expertise including: ANZ, JLL, KPMG, Metricon, Stockland, Bunnings, CoreLogic and others.

We welcome the opportunity to provide feedback on the National Housing and Homelessness Plan through this submission.

Recommendations

PowerHousing Australia recommends in the development of a National Housing and Homelessness Plan that the Australian Government consider to:

1. Reduce homelessness and/or mitigate the risk of homelessness by investing and leveraging co-investment into more social and affordable housing solutions with reputable and experienced community housing providers (CHPs).
2. Improve access to social and affordable housing through providing leadership and investment to experienced CHPs to manage and source more affordable and social housing through long term programs (such as the Housing Australia Future Fund).
3. Have a unified approach which clearly outlines the roles of all levels of government, housing providers, investors and the private sector.
4. Replace old social homes with brand new 7-star livable housing with density uplift to reduce the carbon footprint and create more efficient homes to boost wellbeing.

Recommendation 1: Greater Investment into Social and Affordable Housing

Reduce homelessness and/or mitigate the risk of homelessness by investing and leveraging co-investment into more social and affordable housing solutions with reputable and experienced community housing providers (CHPs).

The Current Landscape

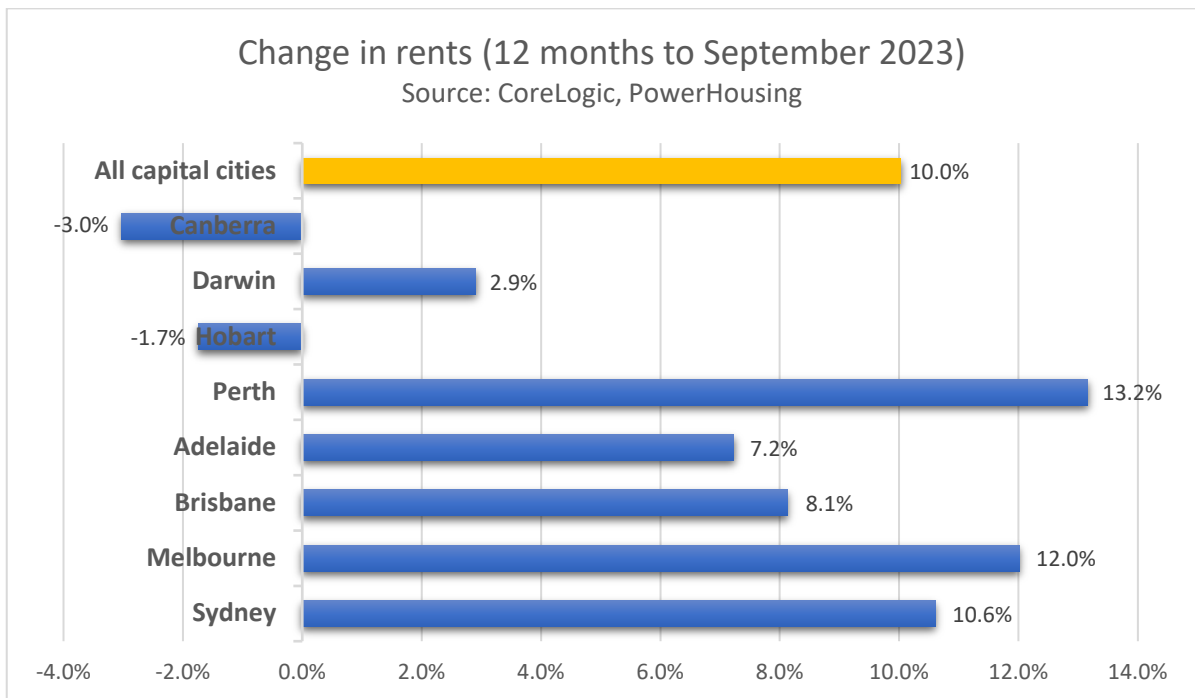
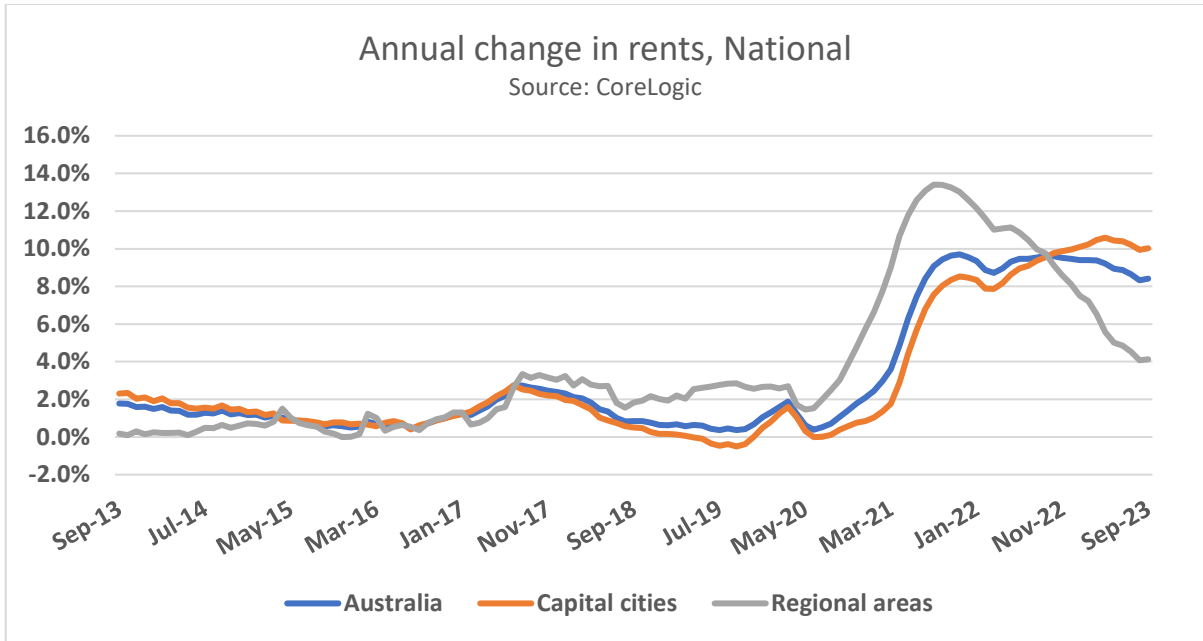
The current rental crisis is shaping the future social and economic landscape of Australia. Renters are experiencing immense housing stress, particularly as home ownership moves further out of reach. The strong competition for housing has placed particular strain on those in the low end of the market. Governments of all levels must consider effective housing policy to address the needs of renters.

Home ownership rates have been falling for some time; moving from above 70% around the year 2000, to now being around 66%. Concurrently, national median rents have increased by more than 20% over the past two years. National vacancy rates are also at multi-decade lows near 1%, with cities like Adelaide, Melbourne and Perth having vacancy rates that are well below 1%. As of September 2023, the combined capital cities measure indicated a vacancy rate of 1.0%. Meanwhile, investment into social housing has been insufficient to keep up with a growing population of renters. In 1981, 4.9% of Australia households were in some form of social housing. That number is now only 3.8%. To merely get back to those levels would require the creation of an additional 100,000 new social housing dwellings.

The lack of social housing investment has left a growing number of Australians struggling to find adequate housing in the private rental market. The Australian Institute of Health and Welfare reported that there were 174,600 people on public housing waitlists at the end of June 2022. This is up from 154,600 at June 2014. However, waitlists are not a sufficient measure as there are a considerable number of people in need of housing, particularly those who would qualify for affordable and not social housing, that are not captured by these waitlists.

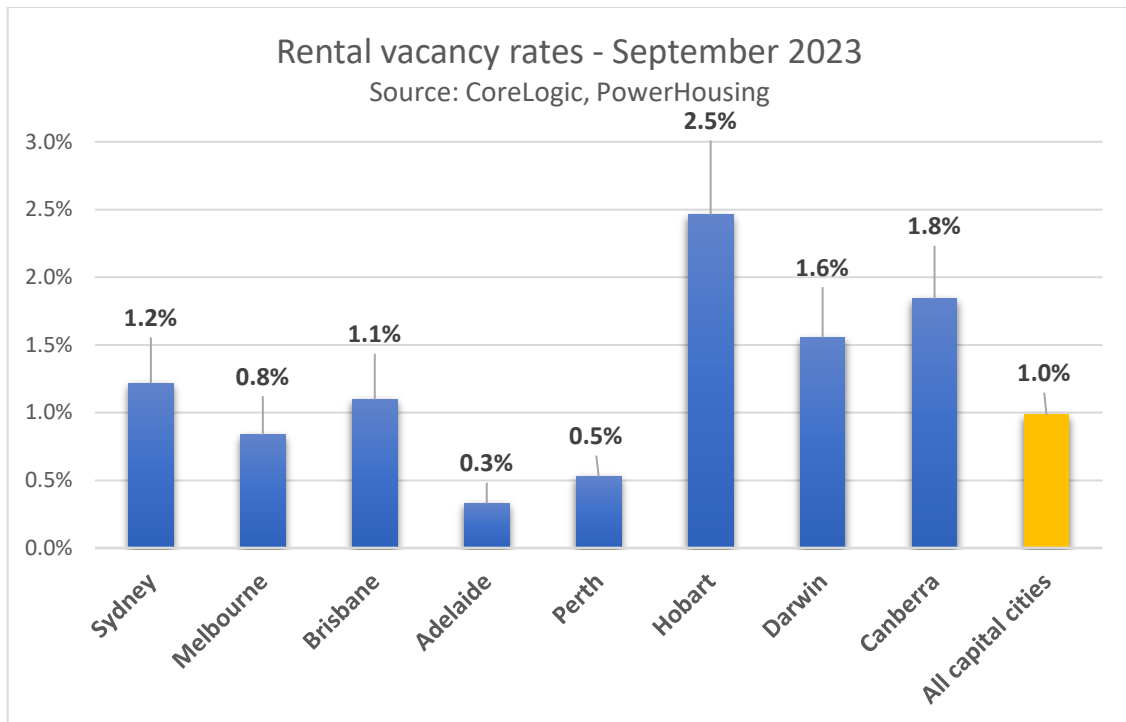
The University of New South Wales, in collaboration with the Community Housing Industry Association (CHIA), has provided a quantification of the unmet housing need around Australia. They examined data from the 2021 Census and measured the number of Australians experiencing homelessness or in overcrowded homes spending more than 30% of income on rents. Their estimates suggest that there are over 640,000 Australian households that are not having their housing needs met, which will only grow to 940,000 by 2041 based on projected household growth.

Housing Australia (formerly the National Housing Finance and Investment Corporation) also provided an estimate of unmet housing need in their most recent *State of the Nation's Housing Report 2022–23*. They found that there are 377,600 households in housing need, with 331,000 in rental stress and 46,500 experiencing homelessness.



Housing affordability has deteriorated significantly with capital city advertised dwelling rents having increased by 10% over the year to September 2023. Regional rents have increased by 39.8% over the past five years to September 2023, with a 34.6% increase in the capital cities. Over the past year to September, regional rents increased by 4.0% and capital city rents increased 10.0%.

Along with the increase in rents, vacancy rates across Australia have declined sharply since mid-2020, falling to multi-decade lows near 1%. The national vacancy rate of 1.1% is substantially below the average of 2.95% over the past decade and cities like Adelaide, Melbourne and Perth have vacancy rates that are well below 1%.



Further to the story of deteriorating housing affordability, data-backed evidence indicates that homelessness is rising in Australia. With the cost of living skyrocketing, including rents, food prices, fuel and electricity; many are either on the brink of or are currently experiencing homelessness. PowerHousing member, Mission Australia in their *A Safe Place to Call Home* report have noted a 26% increase in demand for homelessness services over the last three years.

Homelessness experts and advocates across the nation are calling for more social and affordable housing to help reduce what is an alarming issue that has impacts more broadly than housing such as with social services, mental health services and hospital admissions. Another PowerHousing Australia member, Launch Housing have released their global *Capital Cities Homelessness Index 2023* which identified that Sydney and Melbourne had the 7th and 8th highest rates of homelessness, with 481 and 489 people respectively experiencing homelessness per 100,000 residents. This is concerningly higher than New York which ranked 6th. The report also noted that “people who sleep rough are more likely to die 30 years earlier than people with stable housing, often as a result of preventable illnesses”. The data indicated that Melbourne is seeing 14 people sleeping rough per 100,000 residents, Adelaide is seeing 11 people per 100,000 residents and Sydney seeing 10 people per 100,000 residents.

Investment to Close the Gap

Many renters who should be in social or affordable housing have been thrust into an overheating private rental market to secure a roof over their heads. Greater investment from both government and the private sector is required to maximise impact and to meet the current gap in housing experienced by so many Australians. A fundamental shift is required by government at every level to recognise that social housing is critical infrastructure. Social and affordable housing needs to be recognised as essential parts of a healthy housing system, not seen as an issue that needs to be solved.

Government investment should be channelled directly through to CHPs to maximise long term social and economic outcomes for the community, who would benefit from cheaper delivery and a virtuous development cycle through reinvestment of developer margins into more housing.

CHPs are committed to making sure that affordable housing is there to provide benefits to tenants, all the while ensuring a sustainable model to help mitigate the current housing crisis. In addition to the reinvestment of funds into community housing projects with financing from Housing Australia, global investors are demonstrating greater interest in affordable housing as a stable and reliable asset class. Private impact investment into CHPs is becoming more apparent, as many investors are looking to not only receive strong returns on their investment but wish to contribute to a broader social and economic cause. Determining social and affordable housing as a critical part of infrastructure is required to make it appealing as a viable and profitable asset class with a stable, high rate of return.

Wave of Capital and CHP Led Global Affordable Housing Asset Class

Leveraging international capital into domestic social and affordable housing offers an opportunity to create a perpetual investment pipeline of housing, as exists in other countries. The conduit of private investment will bolster the supply of social and affordable housing, ensure long-term sustainable housing solutions which in turn will positively influence the broader social and economic fabric of our nation.

The Housing Australia Future Fund (HAFF), Social Housing Accelerator and the National Housing Accord will help accelerate this opportunity. Both the Fund and the Accord will provide a solid foundation for the future growth and stability of social and affordable housing that is needed in Australia at this time. As such, it is important that the establishment of the Plan helps to ensure that the Fund is introduced in a timely manner to help alleviate the current housing crisis, while also ensuring that finance and equity investment is harnessed under the HAFF to help expand its reach (i.e. the number of rental dwellings to be delivered) and its longevity. Furthermore, the Plan too should consider subsidy options to retain National Rental Affordability Scheme (NRAS) stock as affordable housing as the program closes in 2026. This can be done in partnership with private investors, superannuation funds and CHPs.

From PowerHousing Australia's recent investment roadshow with 11 of our CHP Members and two finance Affiliates in London in September 2023, as well as Australian Super, The Housing Finance Corporation, IFM Investors, Moodys, Legal & General, Rothesay Group and others; there is a wave of capital available for investment in CHP/government-subsidised social and affordable housing. As found also in our September 2022 New York Roadshow with Morgan Stanley, Pension Real Estate Association and others; long term, government-backed and assured subsidy provides confidence to invest in a low risk asset that still offers reasonable return. Delivering a larger scale social and housing pipeline needs to have investment at the heart of the plan and ultimately seek to create a fully functioning affordable housing asset class that supports social housing output by the decade's end.

PowerHousing Australia has many domestic investment intermediaries who we partner with from banks to originators of investment into developments, and the international investment that is currently in its infancy is poised to support that of the domestic superannuation and other institutional investors.

The development of Specialist Disability Accommodation, which PowerHousing Members manage a significant proportion of nationally, has been a place of growing institutional investment. Our financial Affiliates in particular see the steady, long-term subsidisation and government commitment as being well structured for investment and forms a part of a housing asset class that global investors are seeking to engage.

Ultimately an affordable housing asset class will be a functional market providing returns to investors who support rental housing for people on very low to moderate incomes. This spans people receiving a statutory income and those in lower paid work. Officially this is defined as those earning in the bottom two income quintiles for their area and household type. Rents are set using two metrics. The first is that the rent charge is at least 25.1% below the market rate. The second is that the rent is approximately 30%

of total household income. Using these two metrics ensures genuine affordability - that lower income households have enough money left over after rent to meet other essential costs of living.

Like in the US which has had a 35-year function Low Income Housing Tax Credit system, the Australian affordable housing asset class will see a normalization of global investors in social and affordable housing that provides Environmental Social and Governance (ESG) investment objectives met. A global move towards ethical social impact is only growing and with ESG Guidelines to support the investment here on the ground, the plan is central to harnessing this momentum.

Recommendation 2: The Leadership and Expertise of CHPs

Improve access to social and affordable housing through providing leadership and investment to experienced community housing providers to manage and source more social housing through long term programs (such as the Housing Australia Future Fund).

The Capacity of CHPs

Access to safe and stable housing is a basic human right. It enhances the social, economic and civic participation of all Australians.

Community Housing Providers (CHPs) are dedicated organisations whose mission is to provide social and affordable housing. CHP housing has doubled over the past decade, to make up 1% of Australia's housing stock. CHPs are today delivering new social and affordable housing supply, demonstrating undeniable expertise over the past two decades. The sector has grown from the funding unlocked by the Housing Australia (NHFIC), with \$3.5 billion in loans being facilitated largely by PowerHousing members to drive new housing development since 2018.

PowerHousing's Tier One and scale growth CHP members are best placed to deliver new social and affordable housing stock as a result of our non-for-profit status, registration under the Australian Charities and Not-for-Profits Commission (ACNC) and National Regulatory Scheme for Community Housing (NRSCH) or jurisdictional equivalent and GST exemption. The oversight of the ACNC and NRSCH schemes ensures that there is a clear line of sight to housing outcomes and value for money. That is, CHPs are effectively using their resources, including government subsidies, to meet their purpose and maximise housing outcomes for the community.

CHPs deliver invaluable support to thousands of everyday Australians, with assistance going far beyond the provision of shelter, as many provide wrap-around supports to a diverse cross-section of Australians. This includes people with disabilities, older Australians, indigenous Australians, new migrants and refugees, people who've experienced family and domestic violence and those who have experienced or are at risk of homelessness. Many CHPs provide wrap-around social and community services and supports, which can assist with the transition to long-term accommodation while supporting tenants holistically and through a person-centred approach. The support that CHPs provide is preventive as tenants are less likely to become homeless once wrap-around supports are in place and they have been assisted to secure a social or affordable home. CHPs have a good understanding of intersectionality around social and affordable housing and other domains in our society, including the cost of education, correctional services, health, mental health, disability, unemployment and more.

Our Members house over 150,000 people with a high percentage of the tenants having a Disability Support Pension. This ranges from Member to Member to a range of between 20-43% of tenants having a

Disability Support Pension. Our CHPs also house over 3,000 tenants that receive Specialist Disability Accommodation (SDA) which is a significant proportion of all SDA tenancies nationally.

Adopting a 'Housing First' approach which is led by CHPs, whereby there is flexible person-centred support with the provision of housing as a preventative mechanism for those experiencing long term homelessness, should be outlined in the Plan. CHPs should lead this approach and have access to adequate funds to deliver appropriate new social and affordable housing supply, while incorporating appropriate wrap-around supports. The NSW Government demonstrated this through their Together Home Program which was introduced in response to Covid-19. The program delivered by NSW CHPs had a high success rate (more than 90% still housed). Initially a 2-year program, it was then extended as the model balanced the wrap-around supports needed while increasing housing supply. The CHP sector has pioneered the Housing First model in Australia with great success.

The Plan should also look to better embed a trajectory from crisis accommodation through to long term support from a CHP for stable social and affordable housing. This will ensure that both immediate support is provided, with a longer-term mechanism in place to prevent a cycle of homelessness occurring. At present, the housing system is segmented with different states and territories approaching homelessness differently. Many Australians experiencing homelessness are bouncing between programs and supports, with no real wrap-around mechanism ensuring stable and long-term housing solutions for them.

Moving forward, there should be provisions to safeguard the social and affordable housing sector with explicit requirements for non-government providers to be not-for-profit entities, preferably registered charities under the ACNC and for a nationally consistent regulatory regime covering both public and community housing to ensure consistency.

As not-for-profits, CHPs are 'social businesses' driven by the need to reconcile tenant outcomes with economy and efficiency. All surpluses generated by CHPs are reinvested to deliver more social and affordable housing. In this regard, CHPs provide assurance that their housing will remain affordable.

The rental crisis has highlighted the pressing need for social and affordable housing and the insufficient investment in new supply over the past 25 years. CHPs have a strong track record of expanding social and affordable housing supply over the past decade, doubling the number of homes under management over this period. CHPs are ready create the 30,000 social and affordable homes proposed under the Housing Australia Future Fund and see this Fund as an invaluable first step to help rectify the current housing crisis.

Recommendation 3: A Unified Approach

Have a unified approach which clearly outlines the roles of all levels of government, housing providers, investors and the private sector.

A Guide for National Objectives and Commitments

The development of a strong and clear National Housing and Homelessness Plan is well overdue. Australia is in need of a clear trajectory for its housing system, particularly in order to see improvements to the current downfalls in the rental system. Ideally, the development of a high-level blueprint will broadly guide the housing landscape but should include a strong focus on the provision of social and affordable housing which is vital to Australia's future.

There is opportunity for the Plan to articulate clear national objectives and ways for them to be met, funding mechanisms to achieve targets, to maximise collaboration between all key players in the Australian

housing system, while collecting appropriate data to gain a greater understanding of trends around housing and homelessness, all the while ensuring continuous improvement of the system as a whole.

Consideration of the civil infrastructure role in housing has not been considered so much in the national discussion to date. Before the homes on greenfield and redevelopment of brownfield takes place there is a need to consider the civil infrastructure requirements are. This alongside planning and development approvals can add time, cost and delay to the delivery of housing outcomes. Communities are formed around enabling infrastructure and better coordination of this in the plan is a must.

Additional industry supported priorities for the plan also include:

- A national long-term program to build the social and affordable homes needed to address unmet and projected future needs enabling long-term construction pipelines, investment planning and sustained industry development.
- Planning reforms to support efficient delivery of social and affordable homes.
- Funded responses to address unmet housing needs in regional, rural and remote communities in collaboration with State and Territory governments.
- Tenancy law reform to improve renter's rights and conditions.
- Tax reform to support achievement of long-term housing outcomes over speculative investment returns.

A comprehensive National Housing and Homelessness Plan should guide planning and taxation along with demand and supply levers. The Plan should seek to prioritise housing for women who have experienced FDV, Indigenous Australians, those accessing Specialist Disability Accommodation (SDA), those who are or are at risk of homelessness, and more broadly should look to the rejuvenation of old and inefficient housing stock.

Outline of Roles and Responsibilities

Unfortunately to date, Australia has had limited success in all levels of government, not-for-profits, industry peaks, the construction industry, urban developers, investors (including superannuation funds), private sector and academic experts, maintaining a unified approach and shared vision for housing. This has meant that roles and responsibilities have not been clearly outlined or mutually understood among these drivers of the Australian housing system. A successful Housing and Homelessness Plan would help clarify the roles of all the key stakeholders, including Federal and State Governments.

Transparency is required between states and other key players (such as CHPs) in relation to targets and commitments. One example of the current lack of transparency and a missed opportunity, has been where some state projects previously put out for tender to CHPs have then been funded by States alone using the Federal \$2b funding injection. There tends to be a misalignment between the focus of a particular section of the housing continuum between Federal and State Governments and CHPs. More investment from both Federal and State Governments is needed with an aligned focus for all, to see housing supply increase in the period ahead. The Plan could look to support a vertical integration pipeline to ensure timely delivery on targets without compromising on long-term outcomes.

The National Housing Supply and Affordability Council should be empowered to improve housing supply through setting and monitoring of national targets as outlined in the Plan, while too providing advice on land use and planning. The Council could look to encourage the reassessment of how Treasury values government land and removal of the restrictions seen in some states on the commerciality of transactions, to make it more viable for CHPs to secure. PowerHousing is encouraged that the Plan will be informed and led by the Housing Supply and Affordability Council, with impartial, objective and expert advice guiding its development and rollout.

Recommendation 4: Sustainability while Replenishing Supply

Replace old homes with brand new 7-star livable housing with density uplift to reduce the carbon footprint and create more efficient homes to boost wellbeing.

Australia's Long Term Emissions Reduction Plan forecasts that by 2050 around 7 million homes will not be subject to improved energy efficiency measures in the National Construction Code, with no retrofitted improvements to enhance the fabric of these older homes.

These older homes are contributing to 18 per cent of Australia's greenhouse gas emissions. Older homes often sit on larger lots and flat land close to commuter routes and jobs. Disproportionally, they tend to be occupied by lower income families and younger Australians who experience adverse financial and wellbeing impacts due to living in a lower energy rated home.

Clear benefits of new housing developments include minimising the environmental impact, while enhancing dwelling condition, universal design and accessibility of homes to promote greater tenant wellbeing, and economic benefits. Moreover, these homes would require little to no maintenance over the first 5-10 years. New social and affordable housing is created with the highest amenity, durability and longevity and simultaneously bolsters housing supply.

Australia needs to look to replace ageing housing stock to help create more efficient social and affordable homes. The Plan should consider an approach to managing aging public and social housing stock, identifying what stock is beyond salvageable. The focus for renewal should be based on sites with potential social and affordable housing uplift and close to amenities. With many older homes being on larger blocks, there is opportunity to replace one house with multiple, including higher density dwellings (with some flexibility on high rise and strata titling for affordable housing), which would significantly boost the supply of housing and free up the low vacancy rates currently seen. Such an approach could help deliver high quality dwellings which have a minimum livable housing silver standard and 7-star NatHERS.

Property transfer, also known as stock transfer, involves the transfer of management and/or title of public housing property to CHPs. These homes are generally in poor condition and require significant investment from CHPs to address maintenance issues. These assets are also ageing and incur significant maintenance costs. Much of this housing no longer fits with profile of social housing tenants and does not meet community expectations of accessibility, connectivity and convenience. PowerHousing's member CHPs have a wealth of experience with property transfer and are already demonstrating the opportunities that property transfers provide.

Furthermore, an injection of funds under the National Plan could help this old and energy inefficient housing stock to be revitalised to have greater energy efficiency and lessen Australia's carbon footprint through installing solar panels, glazing windows or upgrading insulation. Further opportunities for density bonuses, similar to those seen in Tasmania, would be an appropriate incentivisation for property transfers as more housing can be built on one site. As less land becomes readily available, density bonuses become more vital for Australia's housing system into the future.

Over the past 10-15 years across states such as Tasmania, Victoria, South Australia and New South Wales, this type of policy has yielded housing renewal. In November 2020, the Victorian Government announced the \$5.3 billion Big Housing Build to revitalise the social housing sector. This includes the construction of 9,300 new social housing dwellings- including replacing 1,100 old public housing units. As part of the State Government package, CHPs will have the opportunity to gain new property transfer agreements, extend existing agreements and negotiate new relationships with Homes Victoria.

There is opportunity for the new Plan to incorporate knockdown rebuilds of older stock and retrofits where appropriate, to help achieve additional social and affordable homes to meet current and projected future demand. The Plan could outline a mechanism for states to be incentivised for property transfer to CHPs as part of housing renewals, with the federal-state housing negotiations to consider methods such as knock-down replacement to help with additionality to Australia's social and affordable housing stock, while ensuring that future dwellings are energy efficient and universally designed.

The National Plan for Housing and Homelessness could look to outline a vertical integration model which will help streamline the entire development process of replacing older stock with new efficient stock from planning and development approval stage, through to financing, tendering, supply and labour, to build completion.

Finally, as supported by industry the Plan can consider the implementation of a national climate change home retrofit strategy.

About PowerHousing Australia

PowerHousing Australia as a representative peak body has scale Community Housing Provider members across Australia committed to addressing housing need through growth of supply, best practice in housing and community development, and excellence in tenancy and asset management.

PowerHousing Australia and our 37 CHP members, provide large scale social and affordable housing to 90,000 households and 150,000 tenants nationally (80% of total CHP housing nationally) across the country with the majority being low to moderate income earners and vulnerable Australians. Our members are the large-scale recipients of NHFIC loans and aggregate the majority of all new social and affordable housing investment and delivery today.

Our 60 Affiliate Member partners include national finance investment, construction, materials, labour, software, housing data and supporting expertise including: ANZ, JLL, KPMG, Metricon, Stockland, Bunnings, CoreLogic and others. This Affiliate expertise collaborates with our CHPs to help support these growth providers of social and affordable housing to deliver more housing outcomes in partnership with Australian Governments.