



Affordable Housing Industry Advisory Group
C/- Nicola Foxworthy,
Chair
Level 1, 112 Balmain Street
CREMORNE, VIC, 3121

11 June 2020

Hon Daniel Andrews MP
Premier of Victoria
1 Treasury Place
EAST MELBOURNE, VIC, 3002

cc:

Hon Tim Pallas MP, Treasurer
Hon Richard Wynne MP, Minister for Planning, Minister for Housing
Hon Michael Sukkar, Federal Minister for Housing
Jude Munro, Stan Krpan and Roger Teale, Co-Chairs, Building Victoria Recovery Taskforce

Dear Premier

The Victorian Affordable Housing Industry Advisory Group (the Advisory Group) and its peak body members are pleased to provide the attached paper to inform the government's consideration as to how new investment in Social and Affordable Housing could be structured to support:

- Immediate economic benefits through housing stimulus as a response to the COVID-19 crisis;
- Significant value for public investment; with construction and provision of Social and Affordable Housing having multiplier effects in terms of economic and social returns and cost-savings over time;
- A medium term plan to transition to a sustainable, scaled, and systematised Social and Affordable Housing industry in Victoria; attracting new private investment, partnerships and leveraging of outcomes over time; and
- A significant legacy of safe, secure and affordable housing for vulnerable, low income and key worker households.

The Advisory Group commend the Victorian Government on its recent announcement to upgrade 23,000 Social Housing dwellings and build 168 new homes, and on the focus of the Building Victoria Recovery Taskforce to address bottlenecks in the planning system and give priority to developments that include Social or Affordable Housing.

However, achieving a measurable and leveraged impact relative to demand, and countering the down-turn in the market requires a larger and longer term plan with significantly scaled investment in Social and Affordable Housing over the short to medium term.

The attached paper sets out shared industry objectives for new investment and highlights potential ways it could be structured and built on over time, subject to the scale of investment and design.

The Advisory Group invites the State Government to work with it and its peak body members - the Urban Development Industry Association (UDIA) Victoria, Property Council of Australia (Victoria) and the Community Housing Industry Association of Victoria, to co-design and implement a plan that draws on the objectives and opportunities identified by the Advisory Group, to ensure outcomes are both achievable and progress Victoria towards a scaled and systematised approach to the investment and delivery of Social and Affordable Housing.

We look forward to an opportunity to discuss at your earliest convenience and to establish a plan to work together to achieve our mutual objectives.

Yours sincerely



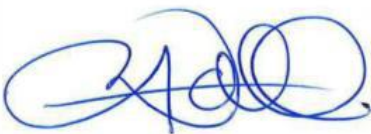
Nicola Foxworthy, Chair

Affordable Housing Industry Advisory Group



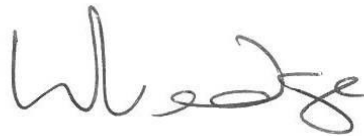
Danni Hunter, CEO

Urban Development Industry of Australia (Victoria)



Cressida Wall, Executive Director

Property Council of Australia (Victoria)



Lesley Dredge, CEO

Community Housing Industry Association - Victoria

Affordable Housing Industry Group Membership, June 2020

- *Community Housing Industry Association Victoria*
- *Urban Development Industry Association (Vic)*
- *Property Council of Australia (Victoria)*
- *Victorian Planning and Environmental Law Association*
- *Community Sector Banking*
- *Bank Australia*
- *CBRE*
- *Frasers Property*
- *ISPT*
- *Grocon*
- *Mirvac*
- *Burbank Group*
- *Common Equity Housing Ltd*
- *Housing Choices Australia*
- *Housing First*
- *National Affordable Housing Consortium*
- *Unison*
- *Haven Home, Safe*

The Affordable Housing Industry Advisory Group invite the Victorian State Government to work in partnership with the development and not-for-profit housing sectors to co-design a bold housing plan for Victoria.

The plan should enable immediate housing stimulus, drive economic activity and jobs, deliver critical Social and Affordable Housing, and support a transition to an at-scale, sustainable Affordable Housing industry in Victoria.

The plan would be strengthened by the attraction of Federal Government investment which would further maximise the scale of outcomes and ensure the full suite of tools available to all levels of government are utilised to drive outcomes.

Introduction

The **Affordable Housing Industry Advisory Group** (the Advisory Group), comprises representatives of Victoria's peak property, planning and community housing sector bodies, individual listed and private developers, financiers, and Registered Housing Agencies in Victoria.

The Advisory Group members share a **vision** for a **systematised, scaled and partnership-driven Social and Affordable Housing industry** and agree that:

- Social and Affordable Housing is **critical social and economic infrastructure**, essential to Victoria's sustainable growth and prosperity;
- Demand is well established, with significant **economic and social costs** of not acting. It is estimated that least **6,000 new Social Housing dwellings are required each year** for the next ten-years just for Victoria to reach the national average of 4.5 per cent of all households in Social Housing;¹
- **A coordinated long-term housing plan and investment strategy** led by the State Government is required that supports industry to invest, partner and deliver the range of housing responses needed, particularly for lower income households and essential workers, integrated across the community;
- Delivery of Social and Affordable Housing depends on an active and **sustainable development and construction industry**. Slowing down of this market will have significant economic implications and will further reduce opportunities for Social and Affordable Housing and housing supply, diversity and affordability;
- The residential development, financing and not-for-profit housing sectors are well-established, regulated delivery agents of market and Social and Affordable Housing and have demonstrated a desire and ability to **work in partnership to respond to the housing crisis** and to deliver **new innovative forms of tenure**, such as large-scale Build-to-Rent and shared equity home ownership;
- With the right **enabling conditions and investment**, Victoria can transition to a **scaled and sustainable Social and Affordable Housing industry**; attracting private investment, supporting economic activity and jobs, and delivering long-term social and economic benefits.

¹ Make Social Housing Work (2020)

Context

The demand for Social and Affordable Housing and the need for government investment is well established. The COVID-19 crisis has reinforced the importance of safe, secure and affordable homes to a healthy society and the need for concerted and coordinated action.

Calls for short to long-term government investment in residential development, home purchasing stimulus and Social and Affordable Housing provision as economic stimulus are growing. Key stakeholders, including the Advisory Group, recognise that:

- Co-ordinated Federal, State and Local Government action is required to support the residential sector to survive the economic impacts of the crisis and to be sustainable through the recovery period;
- Government's need to invest and take action to drive short-term counter-cyclical stimulus in a declining residential market;
- Investment directed through the Registered Housing sector can address the subsidy gap and can provide a platform for significant and untapped capital to be put towards Affordable Housing in the medium term.

Industry Shared Objectives for Investment

The Advisory Group is keen to work together and with the State Government to co-design and implement a ten-year plan that enables Victoria to transition towards a scaled, sustainable and diverse Affordable Housing industry.

Recognising the urgency of the situation and the opportunities it presents, a coordinated plan coupled with short and medium term investment is critical. The Advisory Group recommend that investment decisions be guided by the following **objectives**:

1. Deliver immediate **economic stimulus** and medium to longer term **triple-bottom line outcomes**;
2. Create an **enabling environment** for **industry participation, investment, and partnerships** - supporting each sector to maximise and work to their strengths and capabilities and build robust partnerships;
3. Utilise and enhance **government systems and infrastructure**, regulatory provisions, funding and financing levers;
4. Support new ways of **procurement partnerships** between industry and government that build on established relationships and regulation and are outcome driven;
5. Support attraction of **institutional and other third-party investment** to leverage and **maximise return on public investment**;
6. Support progression to a scaled and sustainable **Social and Affordable Housing industry**;
7. Achieve **high quality housing** in the right locations; and
8. Be **transparent and accountable**, with value appropriately held and managed over time.

The opportunity for both the Federal and State Governments is to draw on these objectives and take advantage of, and expand on existing investment distribution, procurement, and contracting mechanisms, particularly drawing on the established regulatory framework and relationships with registered housing agencies by the State.

This will reduce the need for lengthy or unnecessarily complex procurement processes, ensure risk is managed, and value is appropriately held and managed over time.

Forms of Investment

The vision, plan and scale of investment must be **bold** and able to activate immediate market activity, whilst enabling leveraging and attraction of large-scale private investment into Social and Affordable Housing over time.

Potential investment objectives and forms of investment are outlined in the **attached table** and are outlined as examples to support further investigation by industry and government in partnership. The specific scope of outcomes will depend on the level of investment by the Commonwealth and State Governments and should allow for a broad mix of responses that can cater to the range of community demand and deliver enhanced value for investment.

Summary

The current crisis highlights the importance of government leadership and support for the most vulnerable, the value of affordable and safe housing, and the need for both economic and social outcomes to be achieved from public investment.

The Advisory Group reflects the desire across the private and not-for-profit sectors to partner and find win-win solutions.

There is a clear opportunity for industry and government to co-design an overarching plan that is coupled with short, medium and long-term actions and investment at scale that can be readily implemented and maximised and support aspirations for a viable and scaled Social and Affordable Housing system.

Investment in Social and Affordable Housing supply will deliver proven significant economic and social outcomes, including:

- Increased turnover per dollar invested in construction activity;²
- Job retention and growth;³
- An estimated community benefit of \$3 for every \$1 spent on Affordable Housing provision as a result of health cost savings, educational benefits, enhanced human capital, improved worker retention, reduced family violence and crime;⁴ and
- Enhanced public value through leveraging of government investment with private and not-for-profit equity and debt.⁵

The Advisory Group looks forward to work with the State Government to co-develop a plan to grow a viable and scaled Affordable Housing Industry and a corresponding investment package to drive short to long term economic and social returns.

Together industry and governments can ensure that the current crisis leads to a positive, long-lasting and significant legacy of safe and secure housing and significant social and economic benefits to individuals and the community.

² KPMG (2012) Housing Ministers Advisory Committee (2012) Social Housing Initiative Review September 2012 estimated \$1.30 return for every \$1 invested in housing.

³ The construction industry support an estimated 1 in 10 jobs

https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1718/Quick_Guides/EmployIndustry. The 2008 Nation Building Economic Stimulus in Social Housing resulted in an addition of approximately 9,000 FTE in the construction industry nationally, and 14,000 FTE more broadly - increasing overall GDP by 0.1 per cent (10 basis points); SGS modelling of a proposal for 30,000 new Social and Affordable Housing dwellings over four years nationally estimates on average between 15,500 and 18,000 full-time equivalent (FTE) jobs would be created.

⁴ SGS Economics & Planning, 2019, City of Melbourne Housing Needs Analysis, SGS Economics & Planning, Melbourne

⁵ The Nation Building Economic Stimulus resulted in an addition 13% of dwellings above the Federal funding target as a result of in-kind State contributions, lower average cost dwellings, and sector leveraging (source: KPMG)

Indicative Objectives and potential forms of Investment

Timeframe for Investment	Objectives for Investment	Potential Investment Approach	Community Housing Sector Role	Development Industry Role	Financing Sector and Investor Role
Short Term (<12 months)	<ul style="list-style-type: none"> Immediate market stimulus, minimising the impact of COVID-19 on construction industry activity and jobs, supporting an ongoing pipeline of development across small to larger organisations and trades; Rapid housing response to respond to homelessness and those accommodated in crisis or short-term housing; Increased capacity of Housing Agencies to support priority households in need. 	<ul style="list-style-type: none"> Federal and/or State Government borrowing to enable capital grants and low-cost financing to Housing Agencies for new stock acquisition targeted to addressing household exiting crisis accommodation/facing homelessness, and grants to Housing Agencies to support acquisition and upgrades of poor-quality private housing; Smaller scale capital funding to Housing Agencies to progress planning for new builds on Agency owned land; Streamlined, fast-tracked planning of developments with Social and Affordable Housing. 	<ul style="list-style-type: none"> Receive and expend grants; Source properties and secure via contract; Ensure housing allocation responds to established priorities; Progress project planning and commence construction on for Housing Agency developments. 	<ul style="list-style-type: none"> Finalise and construct projects; Deliver Social and Affordable housing under contractual arrangement; Trade industry to upgrade poor quality private housing; Progress projects through planning for medium term investment. Progress planning and development of BTR projects. 	<ul style="list-style-type: none"> Financing of development. Existing financing of Housing Agencies.
Medium Term (1 – 4 years)	<ul style="list-style-type: none"> Medium term stimulus and greater leveraging of government investment to maximise the number of outcomes; Support certainty for the development industry and capacity to deliver a pipeline of market and Social/Affordable Housing by: <ul style="list-style-type: none"> Committing to investment in Social and Affordable Housing; 	<ul style="list-style-type: none"> Capital grants to Housing Agencies for new stock acquisition under contractual agreements; Recurrent subsidy grants to consortiums of Housing Agencies and investors for new builds; Transfer of State assets to Registered Housing Agencies for redevelopment; New low-cost financing to projects that involve a Social 	<ul style="list-style-type: none"> Receive and expend grants; Package investment at greater scale to support project-specific leveraging and new investment; Fund and finance Housing Agency-led projects or Joint Venture with private sector; Source and influence property design and delivery, securing via contract; Access and utilise low-cost financing to leverage grants; 	<ul style="list-style-type: none"> Finalise and construct projects; Finance and deliver mixed-tenure development, including Social and Affordable Housing under contract and/or Joint Ventures; Undertake construction of Housing Agency projects; Invest in mixed-tenure developments such as BTR. 	<ul style="list-style-type: none"> Financing of development Financing of Housing Agencies to purchase and/or develop Developer and/or institutional funding potential into specific developments such as BTR and Housing Agency projects (subject to subsidy).

	<ul style="list-style-type: none"> - Supporting development industry to access planning concessions and low-cost financing where linked to Social and Affordable Housing delivery. • Attract new private and institutional investment 	<p>and/or Affordable Housing component;</p> <ul style="list-style-type: none"> • Release of surplus government land and/or public housing land with clear Social and Affordable Housing requirement; • Streamlined, fast-tracked planning of Social and Affordable Housing developments. 	<ul style="list-style-type: none"> • Ensure housing allocations respond to established priorities; 		
Long term (5 – 10 years)	<ul style="list-style-type: none"> • Transition to a Social and Affordable Housing industry operating at enhanced scale and capacity; <ul style="list-style-type: none"> - Attracting new private and institutional investment at scale; - Leveraging government inputs (land, planning, finance, funding); - Enabling new partnerships and innovation. 	<ul style="list-style-type: none"> • More sophisticated packaging of investment by government, for example: <ul style="list-style-type: none"> - Funding and financing to Housing Agencies on a portfolio basis rather than project specific arrangement; - Release of surplus land with attached clear dedicated funding package; - Appropriate application of planning processes that enhance certainty and reduce risk. 	<ul style="list-style-type: none"> • Package investment and leverage through financing and partnerships; • Significantly greater influence on housing design and delivery; • Potential re-financing of portfolio to increase leveraging capacity • Direct influence in property design and delivery, securing via contract; • Access and utilise low-cost financing to leverage grants; • Ensure housing allocations respond to established priorities. 	<ul style="list-style-type: none"> • Tailor developments to include dedicated proportion of Social/Affordable Housing; • Finalise and construct projects; • Joint venture with Housing Agencies to deliver mixed tenure developments. • Undertake construction of Housing Agency projects; • Invest in mixed-tenure developments such as BTR. 	<ul style="list-style-type: none"> • Financing of development; • Financing of Housing Agencies to purchase and/or develop; • Scaled institutional funding into portfolios.