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Division Head
Social Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600
E: affordablehousing@treasury.gov.au

Council on Federal Financial Relations Affordable Housing Working Group – Innovative financing models

Thank you for the opportunity to comment on the *Council on Federal Financial Relations Affordable Housing Working Group – Innovative Financing Models Discussion Paper and Terms of Reference*) and associated documents. We provide the following comments for your consideration.

The Urban Taskforce believes both state and federal governments should consider the following principles when developing policy, funding or regulatory changes to implement new financing models of affordable housing:

- Any policy adopted must be supported by a rigorous evidence base
- Clear roles must be established for all levels of government and the private sector
- Housing must be considered holistically with wider economic and social goals
- A reasonable level of certainty in the regulatory environment is needed for the private sector to engage.

Potential Program - National Rental Affordable Scheme (NRAS)

NRAS was an innovative funding model for financing affordable housing. It has been discontinued however, there is good reason to consider re-introducing a new form of the program. The program was successful for the following reasons:

- Offers savings to state and federal level social housing programs
- Builds partnerships which develop skills and capacity in the affordable housing sector
- Operates successfully on a national level.
- Allows the delivery of additional affordable housing product through incentivising

Some reforms to the original NRAS model will attract institutional investment into this sector. These include:

- Value of the incentive should be variable in order to subsidise the 20% discount in rent. The housing market is in a constant state of change and applying a single national incentive in a 'one size fits all' approach does not take into account the variables of the national property and rental markets. The result is that in more expensive markets the incentive will not generate enough return on investment or profit to justify building and operating the affordable housing.

An alternative formula is outlined below:

Tax incentive = 2 X Discount in Market Rent

Where the Discount Rent = 20% of the market rent

Market Rent = Average rent for a geographical location as specified by the government relevant housing authority, for 1, 2 or 3 bedroom dwellings.

Tenants should meet the following requirements to qualify:

1 bed = Taxable income less than \$70,000

2 Bedroom = Taxable income less than \$100,000

3 Bedroom = Taxable income less than \$125,000.

- Our members have raised concern regarding the extensive bureaucratic and administrative processes associated with participating in the NRAS scheme. Multiple levels of state and federal government bureaucracy are difficult and costly to negotiate. These processes should be streamlined where ever possible.

Partnerships between the private and public sector

The NSW Government has recently announced the *Communities Plus* program, which seeks to transform existing government owned social housing sites into sustainable mixed communities through private sector involvement. The program seeks to harness the creativity, expertise and innovation of the private sector to renew the state's run-down social housing assets.

These kinds of partnerships, where government absorbs some of the costs and risks associated with the development, have potential to deliver substantial new affordable housing product. This also allows government to maximise the value and use of its land. Programs such as these should be supported and encouraged wherever possible.

The Urban Taskforce is always willing to work closely with the Government to provide a development industry perspective on this issue. Please feel free to contact me on telephone number 9238 3955 to discuss this further.

Yours sincerely

Urban Taskforce Australia



Chris Johnson AM
Chief Executive Officer