

1. Background

The effective and appropriate provision of social and affordable housing (SAH), as an integral part of the housing continuum, is increasingly difficult in light of fiscal constraints, and changing and increasing housing need. Access to safe and secure housing is however a basic human right and need. Furthermore, the associated [broader benefits](#), e.g. social inclusion, are broadly recognised as integral elements of a sustainable built environment (Kraatz 2019). Recent SBEnc research has also highlighted [liveability and accessibility in medium- to high-density urban housing and precincts](#) as crucial to maximising investment and minimising future risks to our community. With the SAH market facing many challenges including persistent issues around long waiting lists, developing government/industry investment ready language to validate investment in SAH as an asset class has been identified as important.

This research will thus develop a [SAH investment tool](#) to help value investment in social housing by drawing upon past SBEnc research and through engagement with state agencies and industry. It will operationalise past research outcomes to identify and measure co-benefits across a number of agreed social and affordable housing developments. COVID impacts affecting labour force and supply chains, difficulties in worker mobility, and extremely low vacancy rates and rising rental costs will be considered. The project aims to develop a tool to value investment in SAH, and identify and measure co-benefits.

The following sections describes the context for tool development, highlighting industry challenges identified by Working Group and Project Steering Group members in 2021.

2. Industry Challenges

The current market is facing several challenges¹ relating to social and affordable housing:

- 1) Shortage of social and affordable housing;
- 2) Labour and material shortages;
- 3) Extremely low vacancy rates in the private rental sector, rising rental costs;
- 4) Need for better utilization of technology (uptake and adoption) in addressing delivery rates;
- 5) The delivery capacity/capability of SAH providers and the operating environment for Community Housing Providers (CHPs).;
- 6) The establishment, development and maintenance of delivery partnerships;
- 7) Emerging community demands to include minimum accessibility provisions;
- 8) Availability of suitable land.

2.1. Shortage of social and affordable housing

The Australian Institute of Health and Welfare (2020) recorded that “in 2018–19, just under 800,000 Australians lived in social housing, living in over 437,000 dwellings across the country”. Their breakdown shows that “over 70% of social housing dwellings were public housing stock with increasing numbers in community housing”. Gramenz (2021) noted that “more than 2,000 households were added to the social housing register in Queensland” in the previous financial year, and that “as of June 2021, there were 27,933 applications for public housing, amounting to 50,301 people”.

¹ Extract from the 1.81 Project Agreement developed by the Working Group in 2021

2.2. Labour and material shortages

In 2021, brick, steel and timber supply chains were being impacted due to COVID through: (i) State and Federal government COVID stimulus packages heating housing and broader construction markets; (ii) reduced mobility and migration of workforce; and (iii) likely budget-related infrastructure spending. Maddocks (2021) details some of these impacts: Australia's reliance on imports of building materials, products and components, COVID impacts on international supply chains, clearing customs, and haulage and logistics delays; 2019/20 bushfires burning timber intended for local and overseas markets². These impacts have been further compounded by unanticipated rises in the price of timber and iron ore (and thus steel) (Holding and Parkinson 2021).

2.3. Extremely low vacancy rates, rising rental costs

The Reserve Bank of Australia³ identifies the COVID pandemic as “an unprecedented shock to the rental housing market, reducing demand for rental properties at the same time as supply has increased” (Evans, Rosewall et al. 2020). Evans, Rosewall et al. also highlight that “the number of vacant rental properties has increased as new dwellings have been completed and some landlords have offered short-term rentals on the long-term market, particularly in inner Sydney and Melbourne”. They note a current decline in rental “partly because of discounts on existing rental agreements” and expect this to continue for the foreseeable future. High levels of migration back to source markets and mobility issues due of COVID are also impacting labour supply.

Craze (2021) provides some nuance to this discussion noting “capital city houses and units travelled on separate paths throughout 2020, with house rents up 3.3 per cent annually against a 4.6 per cent decline in unit rents”.

2.4. How can technology be used

Technology has a proven potential to improve construction times (e.g. prefabrication) and help address supply chain issues affecting the delivery of SAH. ACIF notes that the Australian construction industry “employs around 1 million Australians, and had turnover of \$212 billion in 2015-16 equating to 12.7% of GDP” (Australian Construction Industry Forum 2016, p2). However, ACIF also notes the lack of productivity growth in the sector in recent decades and estimates wasted effort of up to 30%. Reasons highlighted include “the structure of the construction industry, the increasing complexity of its services, and the creation and operation of ‘silos’ within that structure” (ACIF 2016, p.2).

Australian and international best practice examples⁴ of innovative technology and procurement models helping to improve delivery rates and address materials/labour shortages will be provided.

2.5. Capacity, capability and operating environment

Operational issues identified in the past for those involved in the social and affordable housing sector (e.g. community housing providers) include: delivery capacity and capability; credit worthiness and budget constraints; facilitation and policy requirements around new project opportunities (e.g. secure finance and undertake development); and access to subsidy/concession streams (e.g. land and planning mechanisms).

² <https://www.awe.gov.au/abares/products/insights/effects-of-bushfires-and-covid19-forestry-wood-processing-sectors>

³ <https://www.rba.gov.au/publications/bulletin/2020/sep/the-rental-market-and-covid-19.html>

⁴ For example <https://www.pbctoday.co.uk/news/bim-news/digital-engineering-sustainable-housing/102032/>

In 2016, the Community Housing Industry Association (CHIA) provided a submission to the Australian Government's Affordable Housing Working Group (CHAI 2016, p 1). Their submission included five pillars for affordable housing provision: "establish an Australian Affordable Housing Finance Commission (AAHC); establish an Affordable Housing Partnership Agreement; reform Taxation and Transfer Payments to support Affordable Housing Supply; establish a National Uniform Regulatory System for Affordable Housing Providers; and convene a National Affordable Housing Council".

In 2018, the National Housing Finance and Infrastructure Corporation (NHFIC) was established with the intent of providing "long-term and low-cost finance, and capability building assistance, to registered community housing providers (CHPs) to support the provision of more social and affordable housing"⁵. Capacity Building Grants are now available through NHFIC with a Capacity Building program, administered by CHIA with a focus on the four key areas of finance, business planning, property development and risk management⁶.

2.6. Establishing, developing and maintaining delivery partnerships

Ongoing partnerships between the public, private and not-for-profit (NFP) sectors are needed to help optimise delivery. Partnerships continue to evolve and become more sophisticated. Examples include: (i) [Common Ground Qld](#) providing supportive housing with on-site social support services which was developed via a State government and industry partnership; (ii) [Brisbane Housing Company](#) delivering social and affordable housing with an array of partnerships to support residents; and (iii) [Creating Positive Futures](#) building community and industry partnerships with the goal of delivering "jobs, training and housing outcomes for disadvantaged people living in Australia through a series of partners"⁷. Social impact investing, such as the [Qld Treasury social impact bonds program](#)⁸, can also bring together government, not-for-profits and industry to deliver social outcomes to agreed performance targets.

Partnerships are now further supported by social housing being considered as an infrastructure class. The 2021 Australian Infrastructure Plan, produced by Infrastructure Australia, expressly describes *social Infrastructure* as being *economic Infrastructure* (Infrastructure Australia 2021). It provides an overview of the social housing sector identifying a national framework, markets and jurisdictions, networks and utilities, industry and customers as key elements. The report notes that "investment in social infrastructure is essential for the health, wellbeing and economic prosperity of Australian communities. Successful approaches include: making better use of existing infrastructure by repurposing or sharing facilities; using alternative methods like technology to deliver services; and collaborating on solutions that leverage funding or encourage co-location" (p 520).

In addition, state-based infrastructure plans now reference SAH. For instance, Infrastructure WA's draft strategy, [Foundations for a Stronger Tomorrow](#) places social and affordable housing as one of nine sectors included in the draft strategy (Infrastructure Western Australia 2021), while Infrastructure Qld's [Draft State Infrastructure Plan](#) highlights four key challenges for delivering social housing: growing demand for social housing; individuals and families seeking housing assistance have other needs; competition with the private market; and meeting contemporary housing needs (Queensland Department of State Development 2021).

⁵ <https://www.nhfic.gov.au/about-us/>.

⁶ <https://www.communityhousing.com.au/nhfic-capacity-building-program/>

⁷ <https://cpfcorp.com>

⁸ <https://www.treasury.qld.gov.au/programs-and-policies/social-benefit-bonds-pilot-program/>

2.7. Emerging community demands

Emerging demands include improving liveability (including resource efficiency and sustainability) and accessibility provisions for both social and affordable housing. These demands have been highlighted by the continuing impact of COVID-19.

The recent *Australian Building Codes Board Accessible Housing Regulatory Impact Review* highlighted the divergent views of sector stakeholders around the need to regulate for whole-of-life accessibility in a domestic environment (Australian Building Codes Board 2019). With specific regards to social housing, the upfront costs of providing housing to Livable Housing Australia gold or platinum standards can be prohibitive, and can restrict those for whom this housing will be made available (i.e. those with needs appropriate to provision).

The *Norway universally designed by 2025* initiative is noted here (Norwegian Ministry of Children and Equality 2009). In the 1960s and 70s, housing policies in Nordic countries began to change to better integrate people with disability into 'ordinary environments'.⁹ In 2009, the Norwegian government adopted an integrated, cross-sectoral approach involving 16 ministries working on detailed action plans and strategies to define action plans to achieve nationwide universal design and increased accessibility by 2020. Since July 2020, the Norwegian Ministry of Children and Equality has been developing a new five-year action plan, that "will present actions on most relevant sectors of society including housing and the urban and social infrastructure"¹⁰.

2.8. Availability of suitable land

The suitability of available land for social and affordable housing was highlighted in the previous SBEnrc research project, *Liveable social and affordable higher density housing*¹¹ as it can impact on the feasibility of a project, for example due to accessibility requirements, development ratios and competition with the private market. Improving access to suitable land again requires collaboration between all levels of government and the private sector.

3. Definitions

Broad definitions around social and affordable housing continue to be problematic.

The Australian Institute of Health and Welfare states that:

"Measuring housing affordability is not straightforward. A household's financial situation, the overall demand in the housing market and housing tenure type (whether a household is seeking to rent, is renting, is looking to buy or is a homeowner with or without a mortgage) all influence individual housing affordability (Senate Economics References Committee 2015). The simplest measure of housing affordability compares housing costs to gross household income" (AIHW 2021).

They note the following measures relating to housing affordability:

- Housing affordability can be expressed as the ratio of housing costs to gross household income (ABS 2019).

⁹ Bringa, OR (2019) "Moving Towards the Universally Designed Home: Part 1", Retrieved 20 July 2020, from <https://www.betterlivingdesign.org/post/design-a-stunning-blog>.

¹⁰ Bringa, O. R. (2020). Liveable and accessible high density housing. Email correspondence with J. Kraatz.

¹¹ <https://sbenrc.com.au/research-programs/1-71/>

- Housing costs are defined as the sum of rent payments, rate payments (water and general), and housing-related mortgage payments (ABS 2019).
- Housing stress is typically described as lower-income households that spend more than 30% of gross income on housing costs (ABS 2019).

To enable the SAH Investment Tool to be developed, an analysis of accepted definitions and conditions of social housing including type of housing providers, source of funding, eligibility, and the flow of benefits (for attribution purposes) have been analysed (Tables 1, 2 and 3).

Table 1 – Social housing definitions and conditions - for the purposes of developing the SAH Investment Tool.

| Definition | Who provides | How is it provided | Alignment, Funding | Eligibility | Flow of benefits* |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|--------------------------------------------------------|
| “Rental housing provided by not-for-profit, non-government or government organisations to assist people who are unable to access suitable accommodation through the private market” ¹² (Australian Government Productivity Commission 2018) | Government | Statutory - State based funding Alignment with regulators and financiers (e.g. NHFIC, ATO) and providers themselves | State Government design guidelines | State government eligibility criteria | To other non-housing government agencies based on CROI |
| | NFP | State, NRAS, NHFIC | Regulators – State, Commonwealth ¹³ and NHFIC Affordable Housing Bond Aggregator ¹⁴ | State government eligibility criteria | Reinvested |
| | Private Sector | State, NRAS, NHFIC | Regulators – State, Commonwealth, NHFIC and ATO | Commonwealth government eligibility criteria | Reinvested, financiers |
| | Partnership | Funding program based, financier | | State and/or Commonwealth government eligibility criteria | Mix of above defined on project by project basis |

* In addition to residents

¹² Australian Government Productivity Commission 2018

¹³ https://www.aph.gov.au/about_parliament/parliamentary_departments/parliamentary_library/publications_archive/archive/statehouseagree

¹⁴ <https://www.nhfic.gov.au/what-we-do/affordable-housing-bond-aggregator/>

Table 2 – Affordable rental housing definitions and conditions - for the purposes of developing the SAH Investment Tool.

| Definition | Who provides | How is it provided | Alignment, Funding | Eligibility | Flow of benefits* |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| "Affordable housing is housing that is appropriate for the needs of a range of very low to moderate income households and priced so that these households are also able to meet other basic living costs such as food, clothing, transport, medical care and education. As a rule of thumb, housing is usually considered affordable if it costs less than 30% of gross household income" ¹⁵ | Government | Funding program based | Some state government agencies Commonwealth government Community housing providers (CHPs) | Residents meet specific eligibility criteria ¹⁶ . | To other non-housing government agencies based on CROI |
| | Not for profit | State, NHFIC NRAS issues financial incentives to organisations providing people on low to moderate income with an opportunity to rent homes at a rate that is at least 20% below market value rent ¹⁷ . | Reinvestment of returns, NHFIC Affordable Housing Bond Aggregator ¹⁸ , National Housing Infrastructure Facility (NHIF) ¹⁹ | Residents meet specific eligibility criteria ²⁰ . | Reinvested |
| | Private sector - subsidised to provide via market | NRAS, NHFIC, financier | NHFIC - NHIF - finance to help support critical housing-enabling infrastructure | "Applicant must demonstrate that without NHFIC financing its project would be unlikely to proceed, or likely to proceed only at a much later date or with a lesser impact on new affordable housing." (NHFIC 2021) | Reinvested, financiers rented out investment property under the ATO affordable housing scheme, needs to be declared as income. Any losses and investments can be claimed as a deduction. ²¹ |
| | Industry – subsidy provided via inclusionary planning instrument | Planning Act or instrument, financier | Financiers | | State or Local Government, reinvested, financiers |

* In addition to residents

¹⁵ <https://www.facs.nsw.gov.au/providers/housing/affordable/about#1>

¹⁶ <https://bhcl.com.au/about-bhc/about-affordable-housing/>

¹⁷ <https://www.dss.gov.au/housing-support-programs-services-housing-national-rental-affordability-scheme/about-the-national-rental-affordability-scheme-nras>

¹⁸ <https://www.nhfc.gov.au/what-we-do/affordable-housing-bond-aggregator/>

¹⁹ <https://www.nhfc.gov.au/what-we-do/national-housing-infrastructure-facility/>

²⁰ <https://bhcl.com.au/about-bhc/about-affordable-housing/>

²¹ <https://www.ato.gov.au/Individuals/Investments-and-assets/In-detail/Rental-affordability-schemes/Investing-in-affordable-rental-housing/>

Table 3 – Affordable housing for purchase - definitions and conditions - for the purposes of developing the SAH Investment Tool.

| Definition | Who provides | How is it provided | Alignment, Funding | Eligibility | Flow of benefits* |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|---------------------------------------|----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|
| <p>“Affordable housing is housing that is appropriate for the needs of a range of very low to moderate income households and priced so that these households are also able to meet other basic living costs such as food, clothing, transport, medical care and education. As a rule of thumb, housing is usually considered affordable if it costs less than 30% of gross household income”²²</p> | Government supported | NHFIC, State | State, NHFIC ²³ , NHIF | First home buyer | To investors and shareholders |
| | Private sector - subsidised to provide via market | NHFIC, financier | NHFIC - NHIF - finance to help support critical housing-enabling infrastructure. | “Applicant must demonstrate that without NHFIC financing its project would be unlikely to proceed, or likely to proceed only at a much later date or with a lesser impact on new affordable housing.” (NHFIC 2021) | Reinvested, financiers |
| | Industry – subsidy provided via inclusionary planning instrument | Planning Act or instrument, financier | Financiers | | State or Local Government, reinvested, financiers |

* In addition to residents

²² <https://www.facs.nsw.gov.au/providers/housing/affordable/about#1>

²³ <https://www.nhfic.gov.au/what-we-do/support-to-buy-a-home/schemes-comparison-table/>

4. IN CONCLUSION

This snapshot provides a context for the development of the SAH Investment tool in 2022. It is therefore important that the issues and conditions highlighted here are considered appropriate and valid to ensure a useable tool. As the draft tool is socialised with government, not-for-profit and industry partners this validity will continue to be tested and adjusted.

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