Sustaining Future Regional Growth: Affordable housing industry Capacity

Byron Shire Affordable Housing Summit
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Basis for presentation

Australian Housing and Urban Research Institute

- Draws on AHURI-funded major research project also involving Dr Vivienne Milligan
- Central research question:
  - → *How can Australian governments and industry players most effectively nurture affordable housing industry development?*
- Research completed late 2016 – two of three reports already issued by AHURI, recommendations to be published shortly

What is *the 'affordable housing industry'*?

- Non-govt (NFP and for-profit) AH providers
- AH policy and resourcing framework
- Institutional entities and players enabling, supporting, regulating AH provider activity
- Public housing system also part of current provision
  - → But little scope to expand in response to rising need
  - → Growing AH industry therefore about boosting non-govt provision

Potential contribution of AH industry in North Coast context (1)

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- Around 25,000 homes built by the AH industry (CHPs) since 2008 – mainly under National Rental Affordability Scheme
- NRAS scrapped by Abbott Govt but recent ScoMo hint that replacement program possibly under consideration:
  - *'The problem with [NRAS] is it was well-intentioned but it couldn't achieve scale …You want to create an investment environment where you get the scale, and where the private investment requires less and less public investment as it grows'* Sky News 7 Jan 2016
- Expanding industry capacity to grow AH supply – funding permitting – potentially v relevant to area like North Coast
- Classic affordability problem of resort areas:
  - House prices and rents inflated by wealthy buyers/renters from outwith the region
  - Local economy dominated by lower wage sectors
- In relation to local incomes, therefore, prices/rents v high

Potential contribution of AH industry in North Coast context (2)

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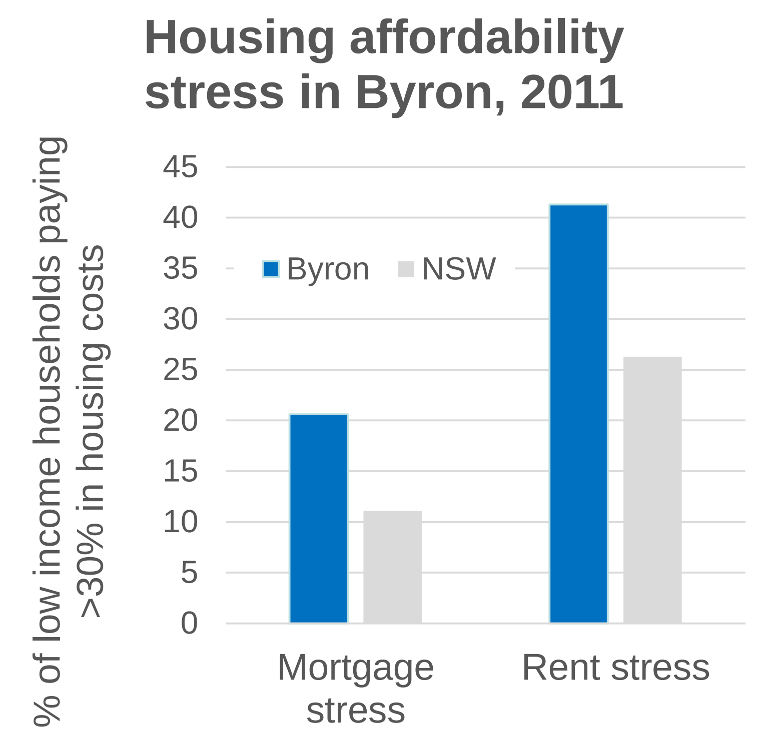
- High incidence of stress for lower income renters and homeowners in Byron
- Problem exacerbated by relatively small local stock of social housing



Source: Buckley Vann (2015) Byron Shire Housing Needs Report

Why is 'AH industry capacity' a matter for concern?

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- Historically, community housing 'capacity deficit' an objection to larger PH transfers voiced from within govt
- Equally, questions about whether industry has scale/capability to provide vehicle for institutional investment in new rental housing
- AHWG report (2016) raises doubts about the capacity of the community housing sector:
  - → *'…in future, depending on increases in the capacity of the community housing sector, there may be benefit in exploring a more significant role for the community housing …providers in the management of [public housing] stock'* (p23).
  - → *'…the CHP sector in Australia does not currently have the capacity to meet the demands of institutional level investment in this space'* (Property Council of Australia) (p27)

AH industry capacity-building efforts in Australia

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- Govt-initiated and funded effort to build NFP housing sector ongoing across Australia since 1980s:
  - → CHPs set up
  - → Peak bodies initiated and supported
  - → Industry plans developed
  - → Regulatory frameworks created
- But post-2010 capacity-building effort diverse, fragmented
- NSW one of the best in period to 2013 – but subsequent restructure to create FACS v damaging:
  - → As departmental priority, housing v subordinate to social work
  - → Housing strategy expertise largely destroyed

How the AH industry could contribute to expanding new housing supply

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- Inspiration drawn from international examples of NFP affordable housing development
- US ‘for profit’ and NFP providers responsible for 2.4 million LIHTC-funded ‘affordable rental’ units built post-1986
- UK housing associations:
  - Approx 750,000 homes built since 1985
  - Now credited with approx 25% of total UK housebuilding, albeit that ‘social rent’ component much reduced

Barriers and risks to future supply

- Capacity-building/retention badly undermined by policy volatility
- Post-NRAS little ongoing govt. support for new CHP-delivered supply (exceptions: SAHF, NDIS specialist units) – AH developer pipelines currently smallest in years
- Cost of private finance too high – not v-f-m
- No mechanism/scale/certainty essential to harness more cost–effective financing esp. desirable institutional investment
- Regulation incapable of complex project assessment
- Progressive post-2019 loss of up to 37,000 affordable (NRAS) units
- Under-utilised capacity = poor use of resources – will degrade and decay

Identified gaps in recent/current AH industry support

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1. Lack of clear, consistent govt & industry leadership
2. No mechanisms for inter-govt coordination, govt/industry co-planning
3. Major erosion of bureaucratic capacities
4. Industry peaks remain small & under-resourced
5. Regulation falling short of expectations/potential:
   - → No nationally consistent approach
   - → Added value not forthcoming – e.g. industry advice; core dataset
   - → Policy oversight weak
   - → No mechanism for industry voice on regulatory governance
6. No framework to harness private investment
7. No Indigenous voice or well-developed culturally appropriate policy & service frameworks

Summary

- AH industry – a system including supporting orgs and institutional frameworks as well as provider entities
- Partly helped by industry bodies and some govts, provider part of system has substantially enhanced capability over past 5-10 years – including significant development experience
- But, in parallel:
  - → Problematic hollowing-out of govt housing policymaker capacity and dissipation of national reform momentum 2010-2015;
  - → Regulatory system has suffered from policymaker neglect; now in urgent need of review and re-invigoration
- Larger issue govts must recognise – as in NSW SAHF – new AH supply dependent on substantial financial support
- Stop-start AH-support policies wasteful of industry capacity

References

Australian Government (2016); *Innovative Financing models to improve the supply of Affordable Housing*, Affordable Housing Working Group report to Council on Federal Financial Relations; Canberra: Australian Government

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