

**AFFORDABLE
HOUSING
INDUSTRY
ADVISORY
GROUP**

**Submission to inform the
development of a 10 Year Social
and Affordable Housing Strategy**

April 2021

Disclaimer

The Affordable Housing Industry Advisory Group (the Advisory Group) is a member-based organisation with representation from peak bodies and individual organisations working in the residential development, finance and not-for-profit housing sectors.

This submission reflects the areas of general agreement of the Advisory Group members.

The Advisory Group does not purport to reach agreement on any single issue. Members may make direct submissions to government to inform the strategy development and members may hold different opinions on any single issue.

Advisory Group Members





Executive Summary

Introduction

- The Affordable Housing Industry Advisory Group (the Advisory Group) vision is for a **sustainable, scaled and diverse Affordable Housing system** (which includes Social Housing), that **meets the housing needs of very low to moderate income households**.
- The Advisory Group objective is to draw on its members' experience in the planning, financing, development and management of market-priced and Affordable Housing to inform the development and implementation of this system, to ensure industry is enabled to co-invest, deliver and manage outcomes at scale.
- The Advisory Group is highly supportive of the State Government's objective to *“embed the foundations for growth and sustainability of social and affordable housing in Victoria”* and the development of a long-term strategy to realise sustainable growth.
- The Advisory Group invites the State Government to meet to discuss the key points and recommendations raised in this submission and to continue to draw on its members' expertise and experience to inform the strategy development and ensure successful implementation.

Developing a Systemised Approach

- The 2017 *'Homes for Victorians'* strategy acknowledged that the **State Government has influence and control of a wide range of levers** that impact and influence housing affordability and the supply and management of dedicated Affordable Housing.
- Well-received 'Big Housing Build' commitments reflect that **large-scale investment coupled with system reform is critical to growth**. The program also reflects that partnering, particularly with the registered community housing sector, supports government to **maximise value and outcomes**.
- These policies are considered a strong basis for the State Government to build on and establish a clear long-term vision, investment framework and action plan.

Role of the State Government

- The Advisory Group considers the **State Government has a critical role** to:
 - Establish a **whole-of-government vision and state-wide strategy**, underpinned by bold **targets and objectives**;
 - **Lead engagement with the community** on the reasons for investment and action;
 - Ensure the **legislative, policy and investment frameworks** and **resourcing** is in place to **enable industry** to co-invest, partner, deliver and manage outcomes;
 - Apply the **suite of levers** within its control to support growth;
 - **Provide certainty to the market** on desired outcomes and investment (subsidy) scale, availability and terms;
 - Be **publicly accountable** for its performance;
 - **Procure outcomes** and appropriately **regulate** the use and management of **subsidy**;
 - Ensure appropriate **protections and supports** are in place for **consumers**;
 - **Advocate** to the Federal Government for national policy and investment;

continued...

Role of the State Government (continued)

- Ensure **transparent** and **efficient procurement processes** that are objective and partner driven and that reflect the role and regulation of the community housing sector;
- Set **expectations, provide guidance** and **ensure consistency in application of policy** by local government and State authorities, particularly in relation to the use of planning tools;
- Ensure the **sustainability** of current **public housing assets** and maximise the opportunity presented by these assets to increase Social Housing supply;
- Ensure a **resourced support system** to assist households to sustain their housing;
- Take action to support and improve broader **housing market efficiency, diversity and affordability**; and
- **Monitor delivery** against targets, learn from practice, and adjust policy settings as required.

Key Recommendations

- To enable a **well-functioning Affordable Housing system** that provides rental and home ownership opportunities for those that need, the Advisory Group recommends that the State Government develop:
 - **A long-term (30 + years), whole-of-government Strategy**, reflecting Affordable Housing as critical infrastructure; establishing a vision, bold targets, objectives and strategies that reflect the range of areas that impact on a person's ability to access and maintain Affordable Housing outcomes and the State Government's role in enabling adequate and appropriate responses; and
 - **A detailed Action Plan**, establishing the State's commitments to new investment and reforms and setting out an associated **public reporting framework**.

Key Recommendations

- The Advisory Group recommends that to enable a **well-functioning Affordable Housing system**, the State Government and the strategy should:
 - Establish a **framework that provides long-term certainty** to all players (including government, the NFP and private sectors, and the community) on the objectives, definitions, targets and strategies government will apply to respond to established demand, reflecting that only government can do this.
 - Reflect that Affordable Housing delivery occurs as part of a wider **market system** of property development and that government policy and actions need to be operationalised within this system;
 - Support **industry** to co-invest, deliver and manage outcomes effectively and at scale to maximise the value of public investment and housing outcomes;
 - Take a **person-centric approach** that focuses on the areas of key importance to people requiring an Affordable Housing outcome, including choice and affordability, tenure security, sustainability, standards and consumer rights;
 - Reflect the **breadth of Affordable Housing need** and the diversity of housing and non-housing responses required - from crisis housing responses to support for households to maintain private rental or access home ownership; and
 - Identify the range of **inputs** required to realise an effective Affordable Housing system and the suite of **tools within the State Government control** that will be drawn on to support outcomes.

Key Recommendations

- The Advisory Group recommends that the **Action Plan** build on current government commitments and focus on actions that will support a **systematic and scaled approach to growth**, recommended to include commitments to:
 - Recurrent and scaled **funding** that provides certainty of the subsidy available to support Social and Affordable rental Housing retention, renewal and scaled growth;
 - Funding to support households to access affordable home ownership;
 - **Financing** that reduce risks and costs of borrowing for the community housing sector;
 - Standardised processes to release **government land** for Affordable Housing development;
 - Assess further options to apply **planning provisions** that incentivise, streamline and reduce risks of delivery;
 - Ongoing and sufficient **funding** and processes to support households to **access and sustain housing outcomes**;
 - Standardise and simplify **processes to procure outcomes** to reflect the role and regulation of the community housing sector and to take a portfolio approach to delivery and management;
 - Support the **sustainability** of existing Social Housing, including through public housing renewal in partnership with the community housing sector; and
- Ensure an appropriate **regulatory system** to secure subsidy and enable recycling of investment over time.

Key Recommendations

- The Advisory Group recommend that to **strengthen a partnership approach** and build a stronger and more effective Affordable Housing system, the State Government and the strategy should:
 - Provide certainty on the future scale, availability and terms of funding and financing;
 - Acknowledge the purpose, not-for-profit and charitable status, regulation and experience of the community housing sector underpinning less restrictive funding approaches and removing unnecessary reporting requirements;
 - Be outcomes-driven, moving away from project specific funding to portfolio-based approaches;
 - Support new ways of partnering between community housing sector and government;
 - Be transparent as to how funding decisions are made;
 - Support greater tenant participation in decisions about their housing pathways;
 - Support the community to understand the need for Affordable Housing;
 - Provide for flexibility in the application of subsidy over time, enabling people to remain within their home if their level of subsidy varies;
 - Enable the community housing sector to respond to, and maximise market opportunities in line with market timeframes and practices;
 - Support innovation.



Person-centric approach and Proposed Focus Areas

Person-centric approach

- Taking a person-centric lens to frame the strategy is supported.
- The Advisory Group recommend that this approach emphasises the key elements that are critical to a very low to moderate income person/household that requires Affordable Housing or support to achieve housing affordability.
- The diagram on the following slide has been developed by the Advisory Group as an illustration of how a person-centric approach might be presented in terms of focus areas for the strategy and action plan.
- This framing reflects:
 - That an 'Affordable Housing' outcome results from the interaction of housing cost (built-form) and a household's circumstances, acknowledging that subsidy is often required to achieve affordability for very low to moderate income households; and
 - There are several key elements (focus areas) that are important to people in need of Affordable Housing and that government can control or influence.

Proposed Objective and Focus Areas



Person-centric approach

- The Advisory Group proposed focus areas reflect the breadth of actions under ‘*Homes for Victorians*’, such as funding for growth, reforms to planning and to increase consumer protections and rights.
- Achieving ‘***Appropriate, affordable and available housing choice and pathways***’ is recommended as a critical focus area for the Action Plan and should link to overarching supply targets.
- The Strategy is also recommended to reflect that whilst capital funding is critical, it is not the only way to achieve outcomes. A variety of responses are required including financial support for people to access crisis accommodation or to remain in their home, through to funding support for people to access home ownership (where subsidy is secured and re-paid over time).
- Reforms to the system are also required to achieve outcomes and an Affordable Housing system. Commitments to reform are suggested to sit under focus areas, rather than as a stand-alone objective - reflecting that reform is a means to achieving the desired outcome for people in housing need.

Person-centric approach

- The Strategy is recommended to establish a **framework and commitment to actions** that reflect that a **person-centric approach** to housing requires:
 - Processes that support people to have a say in their housing pathways and what they require to improve their housing experience, and adequate funding to support achievement of these objectives;
 - A sufficiently resourced support system that supports people to maintain their housing circumstances and affordability over time and/or transition into other tenures if appropriate and desired;
 - A shift in the allocation of funding from an emphasis on individual built-form outcomes to a focus on supporting scale and portfolio-based approaches;
 - Processes that ensure the appropriate allocation and regulation of funding including the capacity of the registered housing sector re-cycle subsidy over time; and
 - Processes that allows for both people's circumstances and funding support to change over time without forcing people to move from their home.

The background of the slide is a dark blue color with a repeating pattern of light blue, stylized house outlines. Each house outline is composed of a square base with a triangular roof, and they are arranged in a staggered grid, overlapping slightly.

Realising an Affordable Housing System

Creating an Affordable Housing System

- Whilst recent initiatives have been very welcome and have begun to establish a new foundation for partnering and investment, **Victoria does not currently have a coordinated, sustainable or scaled Affordable Housing system** with:
 - No clear demand measures or supply targets by income groups and cohorts;
 - Continual confusion over terminology and no government published Affordable Housing price points;
 - Insufficient supply of Social and Affordable Housing and ageing and varying quality of existing assets;
 - A lack of long-term government investment and certainty as to future funding availability and terms which significantly impacts on the interest and ability of industry to partner, plan and commit to a pipeline of supply. This is particularly an issue impacting on institutional investor interest.
 - A lack of housing choice for consumers, significantly limiting a person's capacity to move between tenures without risking security of tenure and long-term affordability;
 - Multiple and varying Council policies in absence of a State-strategy;
 - Insufficient guidelines and a lack of understanding of development feasibility is in relation to 'voluntary' planning negotiations, resulting in inconsistency in application, industry confusion, risks, costs, inequitable responsibility of delivery and varying success.

Creating an Affordable Housing System

- The Advisory Group recommends the State Government establish a 30 + year strategy reflecting an infrastructure-planning approach, the long-term nature and processes of planning and residential development, asset lifecycles, and the scale of current and future need.
- A 10-year action plan is recommended to set out clear actions that collectively are intended to progress Victoria to an Affordable Housing system that is clear on objectives, roles, responsibilities, inputs, outcomes, performance and accountabilities.
- It is critical that the strategy provides certainty to all players, including across government and the community on these elements if scale is to be realised.

Creating an Affordable Housing System

- The Advisory Group highlight that it is also critical that the delivery of Affordable Housing is understood within wider systems and market processes - impacted on by factors such as population policy, financial markets and policy, tax rules, planning policy and processes, labour markets, material supply and costs – all which influence housing affordability.
- Governments must continue to pursue wider reforms to ensure an efficient housing system and improve housing affordability and choice for all households.
- In developing strategies the Government must also be cognisant that any policy does not have a perverse impact on wider affordability or housing supply and diversity.
- Actions that will impact on industry decision making, risk or ability to participate also require an appropriate lead-in time and clarity on structure to enable market adjustment and implementation.

Creating an Affordable Housing System

- A **whole-of-government strategy** is required to reflect that a range of agencies are responsible for elements that impact on the system.
- The following slide highlights:
 - There are critical stakeholders involved in the financing and delivery of residential housing and specifically Affordable Housing delivery and management;
 - Each stakeholder has key requirements to operate effectively.
- The strategy is recommended to reflect a clear understanding of the different sector requirements to operate effectively and establish an implementation framework that **enables industry to participate and partner.**

Roles and requirements of Stakeholders

	Federal, State & Local Government	Developers	Asset owners	Financiers & Institutional Investors	NFP Housing Developers
Key stakeholders and role	<ul style="list-style-type: none"> Leadership, long term vision Legal conditions & policy framework Financing & Funding Appropriate regulation Safety net (support for those in need) Efficient regulation and land use planning 	<ul style="list-style-type: none"> Market delivery Housing supply, diversity, affordability & sustainability Affordable housing product Market risk - return Investment Innovation 	<ul style="list-style-type: none"> Invest and divest in land assets Facilitate land use response to market requirements Market risk - return 	<ul style="list-style-type: none"> Investment & finance Market risk – return Innovation 	<ul style="list-style-type: none"> Social investor & landlord Affordable housing supply & management Tenant support Investment Quality standards Measured risk – social return
Requirements to operate effectively	<ul style="list-style-type: none"> Community support Industry participation Partnerships Effective administration 	<ul style="list-style-type: none"> Resourced market Certainty & stability of market & government conditions Certainty of funding for Affordable Housing Supportive planning process Labour force, supplies Access to finance Capacity to innovate 	<ul style="list-style-type: none"> Resourced market Planning certainty Incentives to divest 	<ul style="list-style-type: none"> Certainty & stability of market & government conditions Access to funds Certainty of funding for Affordable Housing Liquidity Appropriate security 	<ul style="list-style-type: none"> Partnerships Certainty of access to stable, long term funding Low cost financing and guarantees Flexible tenant selection Opportunities to extract value & be involved early Capacity to innovate Flexible asset management

Advisory Group Key Messages

- The Advisory Group considers it critical that the strategy commits the State Government to reflect its key role and capacity to draw on the **range of tools and levers within its control** to:
 - Ensure an efficient housing market; supporting housing supply, diversity, sustainability and affordability;
 - Ensure the retention and sustainability of existing Affordable Housing;
 - Support increased supply of Affordable Housing by providing required investment in the form of funding, financing and land;
 - Ensure procurement structures provide required certainty to enable industry to partner, co-invest, deliver and manage outcomes;
 - Ensure subsidy is appropriately and readily allocated and regulated over time;
 - Ensure vulnerable households are supported to access the assistance they require to sustain tenancies and build social and economic capacity;
 - Facilitate the delivery of high quality, well-designed, sustainable housing; and
 - Support pathways between housing tenures, consumer choice and protections.

Key Government Organisations

- The next slide highlights that there is a significant number of entities within State Government that can enable or constrain the planning, development, land release, valuation, funding and financing of Affordable Housing.
- The Advisory Group recommends the Strategy and Action Plan:
 - Reflect the range of roles and responsibilities across the State Government
 - Establish clear strategies and accountabilities for actions and reforms by individual agencies;
 - Appoint an independent Advisory Board to receive and provide advice on implementation; and
 - Publish annual public updates on performance against actions.

Inputs & Agencies Involved by sector	Federal Govt	State Govt	Local Govt	Developers	Asset owners	Private Investors	NFP Housing Agency developers	NFP Housing Agency managers
Research	NHFIC	Homes Vic, DELWP, DTF, Consumer Affairs,	MV, LGA,	Industry peaks and consultants	Industry advisers	Industry advisers, Philanthropic entities,	CHIA	CHIA
Funding	Treasury, NHFIC, City Deals, NDIS,	DTF, Homes Victoria, Victorian Property Fund,	-	Indirect value by way of discounts or provision of land		Philanthropic entities		
Govt Land	Individual agencies, coordinated by (?), Defence,	DTF and individual agencies. Homes Victoria; Development Victoria; VGV, Land Monitor,	Local Councils					
Low-cost Financing	NHFIC	DTF				Banks; Institutional investors,		
Enabling planning system		DELWP, VPA, VGV, Land Monitor,	Local Councils					
Skilled and resourced development, building, finance and not-for-profit housing sectors.	ABCC, ASIC, ACNC,	DTF, Homes Victoria, Building Commission,	MAV, LGA	Development industry		Banks, institutional investors,	Housing Associations	Housing Providers
Legislation, policy and resourcing that supports an efficient housing market, housing diversity and sustainability, security and protections for consumers.	National Homelessness and Housing Agreement, Social services legislation and policy, CRA policy,	DELWP, DTF, Victorian Planning Authority, Land monitor, VGV, Consumer Affairs, Residential Tenancies commission, Building Commission, Housing Registrar,						
Resourced operational system	Dept Social Services, Centrelink, NDIS,	DTF, Homes Victoria, DELWP, Development Victoria, Consumer Affairs, Housing Registrar,	Local Councils, LGA, MAV,				CHIA	
Funded support system for vulnerable households	Centrelink, health and education funding	DTF, Homes Victoria, Health, education, child protection and disability agencies,						
Regulation	ATO, ASIC, ACNC,	Housing Registrar, Building commission, Tenancy Act, Local Government Act,						

Affordable Housing System

- The Advisory Group recommends that in developing the strategy the government consider what core elements comprise a ‘system’ approach, for example:
 - Goals and outcomes
 - Inputs
 - Outputs
 - Evaluation and accountability measures.
- Using this frame, key elements that the Advisory Group recommend are reflected in the strategy and that will support realisation of a system-based approach are set out in the following slides.

Elements of a system	Advisory Group suggested Elements of an Affordable Housing System
Goals and outcomes	<ul style="list-style-type: none"> • Clear and shared vision – support for inclusive and sustainable communities through the provision of adequate supply of quality and diverse social and affordable housing and/or other financial supports for households in need. • Targets and goals setting intended outcomes – establishing what we collectively want the system and supply to look like in 10, 20, 30 years based on current supply and evidence of demand.
Inputs	<ul style="list-style-type: none"> • Research establishing level and type of need across geographical areas. • Certainty of capital or recurrent funding that can support a spectrum of housing responses at scale including increasing supply of crisis accommodation, supported accommodation, social and affordable housing, funding support to enable people to retain tenancies, reduce housing stress, or enter affordable home ownership. • Streamlined ongoing release of underutilised or surplus government owned land with a clearly defined Social / Affordable Housing requirements and processes to ensure social value is an acceptable return. • Low-cost, long-term financing and bank guarantees for the community housing sector and potentially developers where there is a high level of social or affordable housing being delivered. • Enabling and resourced planning system that is proactively supporting Social and Affordable Housing outcomes. • Skilled and resourced development, building, finance and not-for-profit housing sectors. • Legislation, policy and resourcing that supports an efficient housing market, housing diversity and sustainability, secure private housing market and consumer protections. • Resourced operational system including reasonable procurement practices. • Certainty of funded support system for vulnerable households. • Application of appropriate tools to manage and target value (subsidy) over time. • Regulation of planning outcomes, development/construction, tenancies, tenancy management, financing and funding.

Elements of a system	Advisory Group suggested Elements of an Affordable Housing System
Process	<ul style="list-style-type: none"> • Appropriate and accountable governance structures. • Independent Government Advisory Committee to be appointed with broad sector representation, to provide advice to government on implementation of initiatives and oversight of annual reporting on the Action Plan. • Certain and streamlined procurement processes that are outcome driven, provided on basis of organisational capacity not individual project level assessment unless one-off specialised housing outcomes are sought. • Adequately resourced and qualified management of processes, development, housing outcomes. • Appropriate regulation that ensures the appropriate management and targeting of value over time, the performance of key players, and mechanisms to hold entities to account for outcomes (including government).
Outputs	<ul style="list-style-type: none"> • Certainty as to future funding and financing. Pathways for industry, institutional and philanthropic funding and financing. • Increased supply of long-term Social and Affordable Housing, achieving/exceeding targets. • Retention and improvements to the quality and environmental performance of existing Social Housing. • Specialised housing options for vulnerable households and households in crisis. • Pathways for tenants who want to transition between different tenures over time, including different affordable rental and home ownership program options. • Strong and positive partnerships between government and housing agencies, agencies and developers, financiers. • Appropriately regulated industry ensuring subsidy is appropriately used and able to be reinvested over time. • Community support.
Feedback, Assessment Learning (Evaluation)	<ul style="list-style-type: none"> • Ongoing evaluation and learning. • Piloting of innovation and translation of positive outcomes to stable programs. • Suitable reporting processes, avoiding duplication.

Critical Element – Targets and definitions

- Whilst there is significant evidence of demand there is no location-based intelligence that brings together aggregated supply and demand data to support informed decision making, drive policy and program development and improvement and set and monitor progress.
- The Advisory Group recommends the Government is bold in target setting. References in the Discussion Paper to “*reaching for the national average*” does not reflect the level of need and is not considered an adequate or specific target.
- Targets are recommended to be include measures relating to:
 - Retention and replacement of existing Affordable Housing;
 - Increase in Social Housing supply (public and community housing);
 - Increase in Affordable Housing rental supply; and
 - Additional Affordable Housing (rental and ownership) outcomes (*number of households supported into rental or ownership where dwelling is not owned by government or the sector*).

Critical Element – Targets and definitions

- Homes Victoria is recommended to take a clear and consistent position on the definition of Affordable Housing to address ongoing industry and community confusion.
- The Advisory Group notes:
 - The P&E Act definition of Affordable Housing sets a nationally consistent definition of Affordable Housing and associated income ranges and ‘matters’ that are required to be considered when assessing the appropriateness of a built-form for Affordable Housing;
 - The P&E Act definition reflects that Affordable Housing includes Social Housing which is defined under the Housing Act in relation to ownership of the dwelling - not in relation to eligibility or built-form;
 - The Victorian Housing Register and community housing allocation framework establish the allocation priorities for housing co-funded by government in terms of the use of subsidy provided to housing agencies.
- The Advisory Group is supportive of the P&E Act definition being used as the overarching definition / framework for what is Affordable Housing, noting a range of programmatic responses then fall within this definition.

Critical Input - Funding

- Significant, certain, ongoing funding is critical if Victoria is to realise the scale of Affordable Housing required to address demand.
- The strategy and subsequent funding arrangements must also reflect that the depth of the subsidy has a direct relationship with the complexity of the clients' needs and that these can change over time.
- The Advisory Group strongly recommend the strategy to establish a long-term commitment to investment which will enable:
 - Forward planning by industry;
 - Partnerships between housing agencies and developers; supporting project pipelines, investment attraction and enhanced value to government;
 - An ability for the community housing sector to respond to and maximise market opportunities as they arise;
 - Attraction of institutional investment;
 - Innovation.

Critical Input - Funding

- Meeting the subsidy gap is critical to addressing demand. This is primarily the responsibility of the Federal and State Governments.
- Industry participation, particularly by the community housing sector, has been proven to maximise the value and return on government investment.
- The State Government is strongly encouraged to ensure the strategy positions the registered community housing sector as the primary vehicle for the ownership and/or management of new Affordable Housing (particularly Social Housing), reflecting sector purpose, charitable status, regulation, capacity to invest, localised and tailored management, connection to support services and performance.
- The strategy should also recognise the roles and capacity of the financing, building and development industries to partner, co-invest, support innovation, deliver, and support scalable solutions in partnership with government and housing agencies.

Critical Input - Funding

- To realise a systemised-approach the strategy should provide industry with clear and forward notice of:
 - Funding to be committed per annum;
 - Terms of funding; and
 - Outcomes to be realised (number of dwellings, allocation, term of use, location, built form etc).
- The strategy is also recommended to reflect that the way funding is released requires reform, with a commitment to procurement practices that reflect that:
 - Victoria has a highly regulated community housing sector, with agencies identified by government as the primary vehicles for growth, regulated for this purpose;
 - Market practices in terms of land release, planning and development are complex and do not neatly align to (arbitrary) government funding timeframes;
 - Certainty as to funding terms will maximise the opportunity to attract other investment.

Critical Input – Regulation of subsidy

- Ensuring the appropriate regulation of public subsidy over time is critical. The State Government's commitment to review the regulatory system is supported.
- The Advisory Group recommend the strategy commit to ensuring a regulatory system that reflects the new spectrum of Affordable Housing outcomes that are required and that ensures subsidy is appropriately applied for intended purposes whilst allowing for recycling / reinvestment of investment over time.
- A robust regulatory system should improve levels of trust that subsidy will be protected and used appropriately - addressing practices that are currently undermining opportunities and adding unnecessarily costs and constraints on industry.
- This will also require funding and contractual processes to move away from individual project assessments to supporting a portfolio approach.

Partnerships

- Partnerships will be critical to achieving outcomes at scale.
- The Advisory Group recommend that actions within the strategy to increase growth of stock reflect a desire to support partnerships and the following key principles which are considered critical to successful partnerships:

Shared objectives and agreement to outcomes. Measurable and reported results.

Trust, honesty, transparency, open communication.

Clarity of roles and expectations of each party including government.

Appropriate sharing and/or distribution of risks and rewards.

Clear governance and decision making.

Process to resolve conflict.



**Actions to deliver
Affordable Housing
Outcomes for People**

Actions

- A 10-year action plan is recommended to sit alongside the Strategy – to be reported on annually and updated every ten years (or earlier) as actions progress and new opportunities emerge.
- The Advisory Group recommend actions are underpinned by the principles of:
 - Policy certainty and transparency
 - Accountability and level playing field
 - Value for investment
 - Development economics and feasibility
 - Long-term outcomes
 - Enabling industry and outcomes
 - Protection and management of subsidy over time, enabling recycling
 - Capacity to be scaled
 - Flexibility to allow for innovation
 - Measurable outcomes.

Actions

- Actions to support outcomes for people will depend significantly on the availability of sufficient appropriate and Affordable Housing supply.
- The Advisory Group notes that ‘Homes for Victorians’ identified actions across several areas that are required to achieve this outcome, most critically funding.
- The following slide takes the Advisory Group proposed focus area of *‘Appropriate and available Affordable Housing choice and pathways’* and sets out a range of actions industry would like to see government continue to commit to and build on to create a systemised approach.
- In developing the submission, the Advisory Group also considered how these actions might align to the government proposed focus areas – summarised in tables in the appendix.



Key Focus Area

Strategy

Action Examples

Ensure sufficient and appropriate crisis and supported housing options for persons requiring immediate and/or tailored housing support

- Funding for new crisis housing responses, particularly for high risk groups.
- Commitment to future FOYER projects.

Retain and improve existing Social Housing supply

- Redevelopment of public housing to ensure no net-loss and improved standards.

Increase the supply of Social Housing

- Capital funding to CHO to build new Social Housing through an outcome-based agreement (not project specific).
- Low-interest loans and government guarantees to CHO sector.
- Redevelopment of public housing assets in partnership with CHO to result in increased Social Housing supply.
- Transfer of ownership and/or management of Social Housing to CHO subject to leverage.
- Support CHO to develop public housing land under CHO management.
- Release of government land sites to CHO to develop as Social Housing.
- Ensuring enabling planning system supports for Social Housing development undertaken by govt or CHO.



Key Focus Area

Strategy

Action Examples

Increase the supply of Affordable rental Housing

- Capital or recurrent subsidy to CHO sector to build new Affordable Housing under an outcomes-based agreement
- Recurrent subsidy stream available to investors similar to NRAS, with dwellings managed by CHO.
- Dedicated funding stream to support subsidisation of Affordable Housing in BTR developments.
- Standardised minimum Affordable housing requirements when selling large public land sites.
- Planning supports where developments include a minimum Affordable Housing component.
- Planning reforms that improve housing supply, diversity and affordability.

Provide support for households to maintain or improve affordability in the private market

- Housing support payments for people in crisis to remain in existing housing.
- Extension of State NRAS subsidy to CHO to support retention of NRAS dwellings in the system.

Provide support for households to access and maintain Affordable Home Ownership

- Funding for shared equity programs where value is re-paid and reinvested.
- Planning reforms that improve housing supply, diversity and affordability.

Actions

- Illustrations of the following two potential delivery models government could support through actions under the strategy are set out in the Appendix:
 - Supporting the incorporation of dedicated Affordable Housing within a Build-to-Rent (privately owned) model; and
 - Supporting community housing sector to maximise value and increase Social Housing supply through new forms of funding procurement.

Conclusion

- The Affordable Housing Industry Advisory Group commends the Victorian Government on the recent Big Housing Build and its commitment to develop a long-term strategy to support growth and sustainability of Affordable Housing (including Social Housing) in Victoria.
- The Advisory Group recommends the State Government to establish a long-term 30 + year strategy with associated Action Plan that:
 - Supports a transition to a systemised approach to working and addressing the issue;
 - Applies a person-centric approach;
 - Reflects that the State Government has a critical role, particularly in providing the investment that is critical to supporting and enabling industry to co-invest, deliver and manage outcomes at scale.
- The Advisory Group invites the State Government to meet to discuss the key points and recommendations raised in this submission and to continue to draw on its member's expertise and experience to inform the strategy development and ensure successful implementation.

Appendices

The background of the slide is a dark blue color with a repeating pattern of light blue, overlapping squares. Each square is slightly offset from the one below it and to its right, creating a sense of depth and movement. The squares are hollow and their outlines are thin.

Action Areas

- The following two slides list a range of actions against:
 - Government identified focus areas; and
 - Range of tools/levers government has within its control that are required to address the issue.

Govt Focus Areas: Actions:	Pathways – information to support people to access housing, sustain, and move as required	Communities – enabling tenants to live in housing built for the future and to access opportunities	Growth – growing the supply of social and affordable housing to meet need	Partnerships – partnering across govt, CHO, industry and community to deliver the vision
Funding	<ul style="list-style-type: none"> • Sufficient and certain private rental assistance program funding. • Continuation of bond support program. • Recurrent funding for shared equity outcomes. 	<ul style="list-style-type: none"> • Recurrent funding and/or low cost financing to support improve. environmental performance of social housing. • Funding for support programs that assist tenants to access economic and social opportunities. 	<ul style="list-style-type: none"> • Certain, recurrent funding for housing agencies to access – outcomes based procurement. • Ongoing funding for public housing asset renewal. • Recurrent subsidy stream structured to attract institutional investment. 	<ul style="list-style-type: none"> • Certain, recurrent funding allocations and terms supports new and large scale investment. • Greater trust-based approach to procurement of outcomes from housing agencies, reflecting regulatory system. • Action on commitment to management transfers. • Market-focussed process for CHO and developer partners to put forward new models for funding. • Review regulatory system.
Financing	<ul style="list-style-type: none"> • Support for financing education programs for consumers. 	<ul style="list-style-type: none"> • Support for micro financing programs for social housing tenants. 	<ul style="list-style-type: none"> • Continuation of low-cost financing for housing agencies (subject to review) and of Govt guarantees. 	<ul style="list-style-type: none"> • Consideration of low-cost financing for developments with significant portion of S&AH where there is a CHO partner
Planning	<ul style="list-style-type: none"> • Consideration of planning supports for Build to Rent where there is an affordable housing inclusion; supporting greater tenant choice and security of tenure in private market. 	<ul style="list-style-type: none"> • Monitoring of application of new planning clauses and review if required. • Planning supports for Build to Rent where there is an affordable housing inclusion. • Continuation of targeted planning processes for rezoning of former government land with Affordable Housing embedded in planning controls. 	<ul style="list-style-type: none"> • Monitoring of application of new planning clauses and review if required. • Consideration of consistent development contributions for Affordable Housing, subject to form and implementation. 	<ul style="list-style-type: none"> • Establishment of clear guideline on what % of a development must be affordable housing to qualify for streamlined planning. • Consideration of planning supports for Build to Rent where there is an affordable housing inclusion. • Consideration of development assessment approval process for large rezonings where there is a voluntary agreement to affordable housing.

<p>Govt Focus Areas:</p> <p>Actions:</p>	<p>Pathways – information to support people to access housing, sustain, and move as required</p>	<p>Communities – enabling tenants to live in housing built for the future and to access opportunities</p>	<p>Growth – growing the supply of social and affordable housing to meet need</p>	<p>Partnerships – partnering across govt, CHO, industry and community to deliver the vision</p>
<p>Land</p>	<ul style="list-style-type: none"> • Clear requirements for defined mix of S&AH through release of government land 	<ul style="list-style-type: none"> • Requirement that all surplus land in well located areas is sold with S&AH requirement. 	<ul style="list-style-type: none"> • Requirement that all surplus land in well located areas is sold with S& AH requirement. Delivered through streamlined/simplified sale process; and/or • Release of surplus land to housing agencies to develop. 	<ul style="list-style-type: none"> • Partnerships between government and housing agencies to redevelop public housing. • Release of surplus land supports partnerships between developers and housing agencies.
<p>Processes, governance, procurement and partnership support</p>	<ul style="list-style-type: none"> • Consideration of single waiting list for affordable (P&E Act) and social housing. • Clear communication on housing options, processes to apply etc • Capacity to remain in CHO managed housing if circumstances improve, with subsequent changes to subsidy • Regulation of public and community housing and publication of performance 	<ul style="list-style-type: none"> • Strong State Govt leadership an active communication of strategy and why S&AH is required. • Review of Housing Act definition of social housing and consideration of how to reflect wider affordable housing activity of agencies in legislation. • Consideration of how government could support community-led housing developments. • Consideration of how government could support Community Land Trust models. 	<ul style="list-style-type: none"> • Clear supply targets by geographical areas, housing type/size and price • Greater recognition of housing agencies as regulated entities in procurement approach • Streamlined procurement for housing agency projects under an outcomes based model, rather than project specific bids. • Review of regulatory system to ensure supportive of growth. 	<ul style="list-style-type: none"> • Streamlined, simplified annual procurement processes for housing agency funding allocations. • Greater recognition of housing agencies as regulated entities in procurement. • Exploration of models where State and housing agencies partner and co-design public housing redevelopments.

Potential Programs

- The following slides set out, at a high level, the potential structure of initiatives that the government is encouraged to consider to support growth.

Illustration of potential delivery model – Social Housing procurement

- Government commitment to ‘purchase’ a defined number of Social Housing outcomes per annum, to be delivered and managed by the community housing sector. Subsidy could be capital or a recurrent payment. Subsidy further supported by low-interest loans and express guarantees to support private financing.
- Government establishes locational priorities, tenancy allocation requirements, dwelling type, term of use, and any non-negotiable requirements. These objectives should be cognisant of wider market processes and cost implications (and therefore subsidy) of any requirement and reflect that housing agencies are regulated entities.
- Total amount of subsidy and available subsidy \$ range by household and dwelling type per annum is clearly communicated to the sector, enabling agencies to determine projects and financing capacity.
- Agencies bid on a rolling basis (first in first served) or through a consistent annual funding round where agencies confirm total number of subsidies sought, average subsidy / dwelling, and intended procurement process and timeframe. Procurement process to focus on assessing value and risks associated with delivery, not individual projects.

If the total sought by applicants exceeds funding allocation for that year the government could prioritise based on value for money relative to household allocation. Sector to be advised on assessment matrix.

Illustration of potential delivery model – Social Housing procurement

- Government to assess applications within defined short timeframe.
- Housing agencies to progress delivery. Funding may be allocated to projects that are under construction or subject to planning and development. Subsidies allocated in a single year may subsequently be delivered over the following 1 – 5 year period. Procurement structured to support long-term partnerships between developers and housing agencies and development of a pipeline of projects. The funding certainty in turn supports project delivery.
- Standardised funding deed entered into by agencies with government. Additional schedules if future funding is awarded.
- Agencies apply streamlined planning process. *Note - the current planning clause may require amendment to enable agencies to submit without the need for a DoH letter and/or commitment of funding – with agency registration considered sufficient comfort that Social and/or Affordable Housing will be delivered.*
- Delivery managed by the housing agency with its developer and/or builder partners. Agency reporting to government on delivery through standardised process. Funding is provided as agreed (capital or recurrent).

Management is regulated by Housing Registrar. Value of government investment to be recycled over time through reinvestment by the housing agency.

Illustration of potential delivery model – BTR with Affordable Housing

- Government commitment to procure a defined % and type (bedroom mix) of Affordable Housing within Build-to-Rent developments in defined geographical locations. *i.e. to subsidise x affordable units in BTR developments over 10 years.*
- Amount, term and type of Government subsidy, allocation requirements and term for subsidy, set and communicated to the market. Recurrent subsidy expected (i.e. NRAS type approach), indexed annually. Other subsidy offered by government could include land tax or stamp duty dispensations. Part of the subsidy may also come from developer contributions as a result of the planning system.
- Developers/investors determine if subsidy and any associated tax and planning benefits are sufficient incentive to participate. Developers apply for in-principle approval for subsidy allocation – support subject to final terms provides required certainty to proceed to planning and development.
- BTR planning clause and/or approval process provides dispensations or reduces planning risks appropriate to development class. May be linked to affordable housing inclusion – further incentive to developers/investors.
- Developers source land. Government could also release land into this purpose – selling at a discount in lieu or the recurrent subsidy.

Illustration of potential delivery model - BTR

- Developers confirm project details and seek final approval for allocation of subsidy for defined # of units within the development. Process allows for minor variations to original proposal to allow for changes over time.
- Developer delivers project and confirms practical completion with government.
- Tenancy allocation and management for Affordable Housing is regulated through community housing agency partner. Tenants are sourced from a single Affordable Housing Register (reflecting Social and Affordable Housing income bands) with reference to Program requirements (i.e. may be the upper affordable housing income bands for these projects).
- Annual report to Housing Registrar providing evidence of tenant income, rent setting, discounts.
- Government releases subsidy, undertakes checks to ensure compliance and reports on outcomes through Housing Registrar.
- Program structure would require clarity around term and consequences of not meeting funding terms.