

Enhancing the NAHA

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Summary of the Background Paper prepared by Rebecca Richardson for the **National Affordable Housing Summit** Round Table Meeting in Canberra on 22nd August 2012.

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Introduction

Conceived as an answer to the fragmented and uncertain funding regime, the National Affordable Housing Agreement (NAHA) was intended to provide a cohesive but flexible framework for all levels of government to deliver improved housing.

To this end, the first NAHA introduced in 2009 was structured as a broader agreement than the CSHA, with the overall aim of promoting access by all to "... affordable, safe and sustainable housing that contributes to social and economic participation".

In many respects, the initial NAHA has not lived up to its ambitious aims. For this reason, its upcoming five-year review by Treasury represents a critical opportunity to advocate proposals for its enhancement. To focus discussion about the directions and priorities for a revised agreement, a Round Table Meeting of the National Affordable Housing Summit (the Summit) was held on 22nd August 2012. This paper summarises the range of proposals contained in the Background Paper considered and widely supported at the meeting. The proposals address the key elements, scope and review of the Agreement.

1 Key Elements



Growth targets, supply audit and dwellings / occupant profiles

Targets are important – both symbolically and practically. They represent a commitment to applying on-going effort and funding towards desired outcomes. They provide a measure against which success can be tracked.

The Summit proposed that an overall goal be set for the reduction of unaffordable housing. Recognising that its achievement will be influenced by a range of factors and will be difficult to measure, it proposed complementary supply targets for overall growth in dwellings in "affordable housing programs" (AHPs). To provide benchmarks against which to track *additional* supply, a national audit of existing affordable housing dwellings (by region, bedroom size and type of dwelling) will be required.

Alongside growth targets, the Summit advocated that some requirements be established for the profile of the additional dwellings and their occupants in order to facilitate a balanced response and, in particular, to ensure that high-need households are assisted, along with others requiring more affordable housing. An appropriate mix is important to both financial and social sustainability.

The overall profile should include requirements for a mix of housing provided at low, income-based rents for, say, at least 20 years (traditionally known as public and community housing) and dwellings rented at a substantial discount to market rent for at least 10 years (eg under NRAS). These two types are referred to as Band A and Band B respectively.

To complement this, specification of an occupant profile will assist in ensuring that a minimum level of high-need households are assisted as well as other low- and moderate-income households.

A sample framework is set out below.

“AFFORDABLE HOUSING PROGRAMS”

The Summit developed the concept of “affordable housing programs” (AHPs) to overcome arbitrary distinctions between different forms of affordable housing and housing provider, and to enable requirements to be set to ensure an appropriate mix of housing for lower income and special need households.

Under an enhanced NAHA, AHPs satisfying the requirements could be eligible for a range of support.

“Affordable housing programs” (AHPs) include public housing, non-profit housing, other housing subsidised under NRAS and some home purchase and shared equity assistance programs.

AHPs must meet the required profiles for occupants, affordability (including rent setting arrangements), term of provision and dwellings.

EXAMPLE OF POSSIBLE GROWTH AND PROFILE TARGETS FOR AHPs

[NB: The words & numbers in square brackets are provided to stimulate discussion, not as firm proposals.]

OVERALL GROWTH TARGET

1. The overall supply of dwellings in AHPs should be increased by at least [120,000] by 2020.
2. The increase in each State/Territory should comply with the following profiles (over the full period to 2020 rather than necessarily in each year).

AFFORDABILITY PROFILE

3. The increase in AHP dwellings should consist of
 - at least [one-third] **"Band A"** dwellings - Rents below [25%] of residents' incomes for at least [25] yrs
 - at least [one-half] **"Band B"** dwellings - Rents at least [20%] below market rent for at least [10] yrs
 - some **"Band C"** dwellings - In approved types of home purchase/shared equity programs for low- moderate-income households

OCCUPANT PROFILE

4. **"High-need households"** with gross incomes below [50%] of the State/Territory median income for their type of household composition and/or have other defined types of special need should comprise:
 - [50-75%] of the increase in households in Band A dwellings;
 - [25-50%] of the increase in households in Band B dwellings.

PROVIDER PROFILE

5. Dwellings owned or managed by a government housing authority should not exceed [25%] of the overall growth in AHP dwellings.
6. All managers of Band A and Band B dwellings should be registered and regulated by a nationally consistent scheme.

DWELLING PROFILE

7. **Location**
 - at least [30%] in non-metropolitan areas;
 - no more than [40%] in outer ring suburbs;
 - no more than [10%] in high-concentration suburbs.
8. **Dwelling type**
 - no more than [50%] 1-2 bedroom units;
 - at least [20%] 3+ bedroom houses.
9. **Design and access**
 - at least [80%] meet specified design standards, including environmental;
 - at least [80%] meet specified standards for access to transport, work, services.

Separate funding for operational costs and growth

Distinct and adequate funding for growth and operational costs should be core components of a revised NAHA. To strike a reasonable balance between the concerns of those States which currently have relatively high or low proportions of public and community housing, a combination has been proposed of:

- an Operating and Replacement Subsidy allocated on a per dwelling basis and
- Growth Funds allocated principally on a per capita basis for demonstrated increases in supply

As well as being a rational approach, this would mitigate problems arising from the differences between jurisdictions that have thwarted earlier attempts to improve funding systems. It would also help protect against the depletion of supply by countering pressures to divest public housing dwellings to fund renewal or as a response to declining viability.

Growth Funds for *additional* supply

In order to keep pace with growing affordable housing needs, it is critical that growth funds for demonstrated increases in supply of *additional* affordable dwellings through:

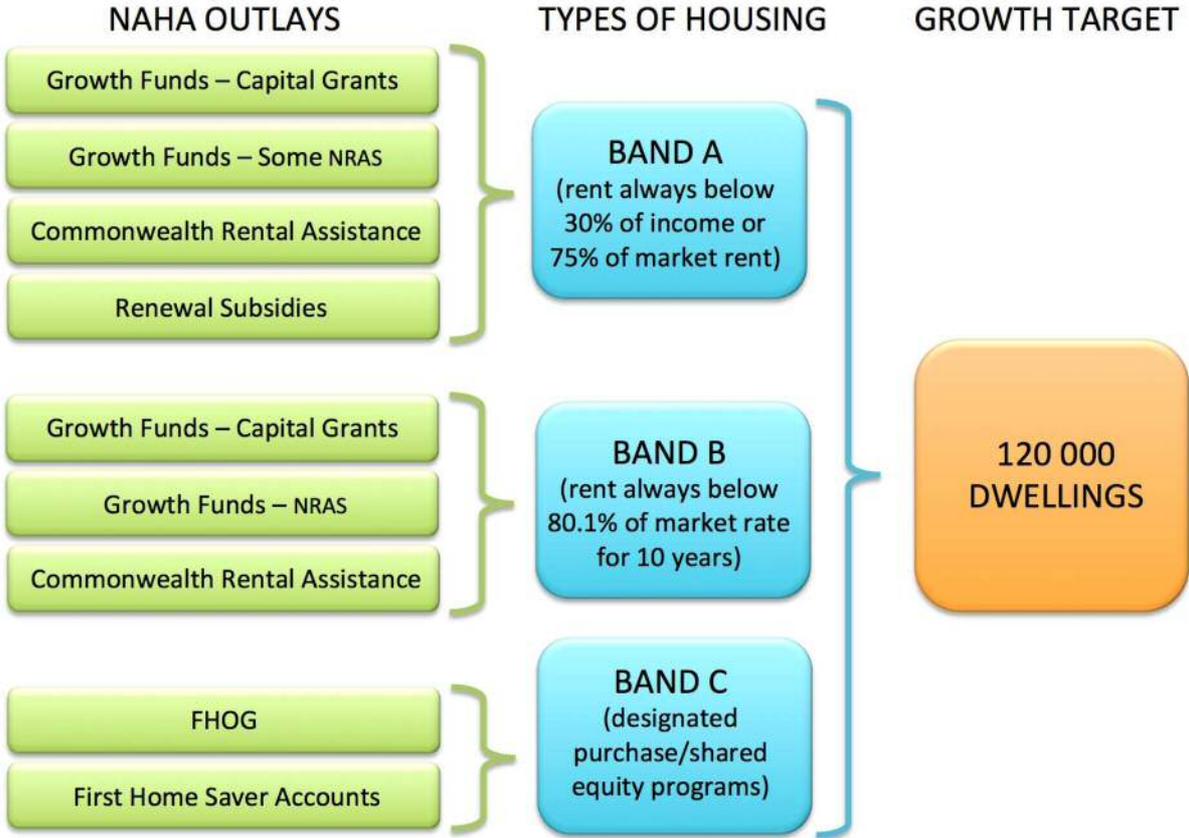
- annual grants (e.g. the current direct grants under the NAHA); and
- on-going assistance (e.g. under the National Rental Affordability Scheme (NRAS)).

Funding structures should be configured to maximise opportunities for leverage and to attract private finance.¹ Regardless of the structure employed, without on-going government funding it will not be possible to generate the new supply needed to maintain affordable housing at current per capita levels, let alone begin to meet current shortfalls. As mentioned earlier, an audit of existing affordable housing supply will be required to provide a benchmark against which to measure *additional* dwellings.

The NAHA should acknowledge and build on the success of NRAS. Inclusion of an on-going commitment for funding assistance for NRAS is crucial to maintaining ongoing confidence and participation in the Scheme. Further, to maximise affordable housing outcomes and provide flexibility, the NAHA should allow providers of AHPs to combine NRAS funding with capital grants (see example below).

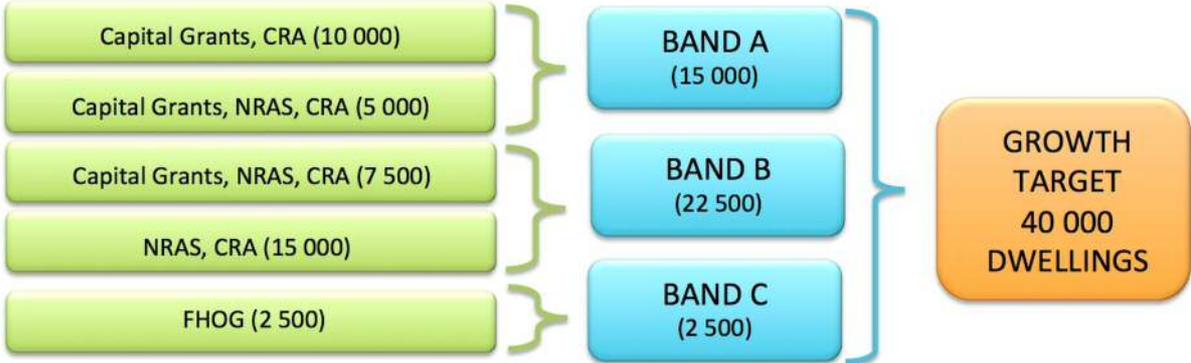
¹ Such as through expansion of the existing NRAS framework and/or development of the Affordable Housing Supply Bond proposal put forward by Lawson, Milligan, and Yates (AHURI 2012).

EXAMPLE OF NATIONAL OUTLAYS AND OUTCOME TARGETS

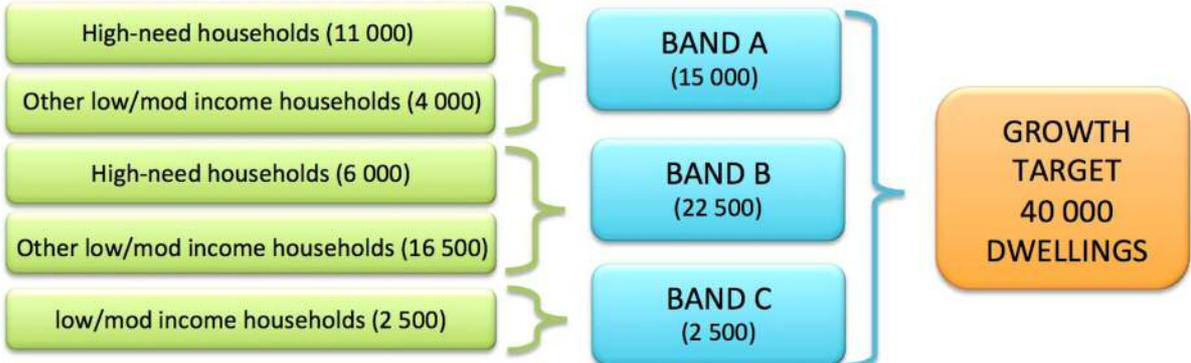


EXAMPLE OF OUTLAYS AND OUTCOMES TARGETS IN A STATE STRATEGY

1. Mix of Commonwealth Outlays



2. Mix of household types



Allocation of Growth Funds

Funding for non-profit providers should be set at a specified minimum proportion of the growth funding for each state. These funds could be allocated directly to non-profit organisations on the basis of satisfaction of the required dwelling and occupant profiles, organisational capacity and compliance with national regulation.

Although the great majority of growth funds would be made available to states on a per capita basis, a portion of growth funding could be set aside for competitive allocation between jurisdictions in accordance with specified priorities such as urban renewal, social inclusion or environmental sustainability. The contribution of other resources or effort to achieving these priorities could be a key consideration in allocations from this pool.

Jurisdictions should be encouraged to allocate a substantial proportion of their growth funding through an expression of interest process for the provision of large portfolios of housing with specified profiles, rather than merely responding to project proposals by housing providers.

Subsidy to help meet operational and replacement costs

A Commonwealth subsidy set on a per dwelling basis should be provided to most, but not necessarily all, of the operating and replacement costs of Band A dwellings after the receipt of rental and other income. Alternatively, Commonwealth Rent Assistance could be extended to all Band A dwellings with the rate of payment based on the market rent even though most if not all tenants would be actually charged a lesser amount. Under either approach, providers would then be responsible for providing or obtaining any additional resources which may be necessary.

Capacity building for community housing

While the NAHA recognises the contribution of non-profit housing providers, it could play a much greater role in supporting their role, for example by removing their dependence upon the states for access to growth funds (see above), by capacity building initiatives, by firmer guidance on stock transfers from government, and by rewarding providers that successfully access private finance and alternative funding sources.

2 Scope of Agreement and Ministerial Responsibility



Expand scope

Inclusion of a wider range of affordable housing programs and assistance, as was originally conceived, will enable a more integrated and flexible approach to the provision of housing assistance where resources can be employed across housing programs to maximum effect, minimising duplication and ineffective use of resources.

Grouped under one umbrella, resources could more readily be combined, for example for the benefit of very high-needs households, or to assist households moving from subsidised rental into shared equity or home purchase.

As well as the present forms of assistance for public and non-profit housing, the NAHA could cover the NRAS, shared equity and home purchase assistance, Indigenous housing responses and support offered under the Housing Affordability Fund and, potentially, the National Partnership Agreements for Social Housing and Homelessness.

Link with policies that closely affect housing

There are a number of other areas of government policy that have a significant impact on housing and involve large costs to government, including Commonwealth Rent Assistance and taxation benefits and subsidies for home ownership, investment property and charitable institutions.

Closer links with such areas would allow the costs and impacts of current policies to be recognised and provide a more consistent and transparent basis for reform. For example, GST relief is currently offered to charitable housing providers. Identifying these incentives in the NAHA framework could open the way for similar relief to be offered to other organisations providing highly subsidised long-term housing.

Link with urban policy and planning

Urban policy and planning influence supply, distribution and accessibility of housing, as well as its cost. Likewise, decisions about infrastructure affect the layout, functionality and cost of living in urban areas. Better linkages between housing and urban policy would enable better use of resources and improved outcomes all round.

Jurisdictions across Australia are pursuing initiatives to improve planning systems and infrastructure. The NAHA could open the way for incentives offered under these initiatives to be combined with housing resources to achieve better overall outcomes. For example, it could facilitate renewal and greater housing diversity in well-located areas with high concentrations of ageing and inappropriate social housing, or to encourage employment and housing diversity in regional centres.

In addition, the role of planning systems in facilitating affordable housing through the application of incentives, inclusionary zoning and other means could be encouraged through the NAHA.

Address fragmented Ministerial responsibility

Ministerial responsibility for various elements of housing is shared by a number of ministers. While, inevitably, there will be areas of great influence on housing that cannot be placed within a single Minister's area of responsibility, there is certainly scope to combine key areas relating to housing and residential development within one portfolio. In particular, there is a strong case for giving a "Minister for Housing and Residential Development" responsibility for the programs identified above for inclusion in the NAHA, as well as those that closely link with it.

Support key players

While local government, through the Australian Local Government Association, is a party to the NAHA, its role is narrowly described as one of regulation and fee collection. As demonstrated by a handful of local councils, there is considerable scope for local government to contribute to encouraging affordable housing through the provision of land, by brokering partnerships and through incentives, inclusionary zoning and other means. There could be real benefit in the NAHA encouraging local government to facilitate housing in these ways.

As community housing providers are increasingly responsible for housing supply, as well as management, it has been suggested that they be included as signatories to the NAHA. However if this is considered unworkable, an alternative may be to better articulate and support the role of non-profit providers and also the private sector.

3 Implementation and Review

Enhance framework for consultation, review and oversight

Concerns have been raised about whether existing oversight and review processes are enabling the informed input needed for the on-going enhancement of the Agreement.

The role of independent experts should be strengthened and arrangements put in place for gaining the input of key players, including engaging an independent consultant to prepare a draft NAHA for broad consultation with parties to the Agreement, experts, affordable housing providers and more generally.

Once an enhanced NAHA is introduced incorporating the type of proposals set out here, a transparent and clearly defined process should also be identified for its on-going review.

These steps will move us towards the ambitious vision of the NAHA as a fairer, more broadly based and effective framework to deliver housing for those in need than its predecessors.