

## RECOMMENDATION

# Expand the SEQ Housing Supply Expert Panel

An independent panel, tasked with measuring, monitoring and reporting on housing throughout Queensland.

*Areas of impact on the housing continuum*

Crisis

Social

Affordable  
rental

Private rental

Assisted Home  
Ownership

Home  
Ownership

**It is clear there are fundamental affordability issues across the state. There is, however, a lack of hard data on the housing market across all levels of the continuum.**

The Queensland Government's move to establish the South East Queensland (SEQ) Housing Supply Expert Panel is a welcomed first step, however, monitoring and reporting on housing supply across the continuum is needed throughout Queensland.

While parties such as QCOSS and the Property Council have undertaken their own targeted research projects, there is currently no central point of authority for the collection of data, or for making recommendations on solutions to address the supply, demand and affordability of the various types of housing along the continuum.

To address this vacuum, the Property Council and QCOSS recommend that the SEQ Housing Supply Expert Panel be expanded to capture all of Queensland. The panel should be tasked with monitoring, reporting and making recommendations on housing in Queensland.

There is an opportunity for the Queensland Government to be leaders on this front – driving informed decision making through research, analysis, monitoring and reporting.

This could include:

- Understanding housing supply and demand across the housing continuum
- Developing methodology for projecting future housing demand and supply scenarios
- Enumerating the housing affordability gap – now and into the future
- Regional analysis to identify local scenarios and possible hot spots

Effective housing strategies that support the delivery of housing for all Queenslanders requires a cross sectoral approach. The expanded Housing Supply Expert Panel would bring together all stakeholders across private, public and non-government sectors to examine data and evidence and develop collaborative solutions.

The independence of the panel, covering a variety of experience and viewpoints, will help ensure a bipartisan approach. Engagement of expertise across research, data analysis and policy development will ensure a solid evidence base for the work.

# CASE STUDY

## National Housing Supply Council

The Commonwealth Government's National Housing Supply Council was established by the Australian Government in May 2008 to monitor housing demand, supply and affordability in Australia, and to highlight current and potential gaps between housing supply and demand.

The Council comprised experts from a diverse range of relevant fields including academia and the finance, economics, urban development, residential construction, urban planning and social housing sectors. The Council's role was to provide estimates, projections, analysis and policy advice in relation to housing supply and demand.

The Terms of Reference directed the Council to:

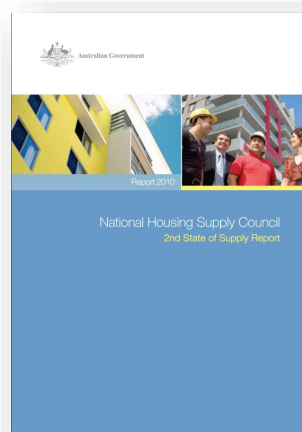
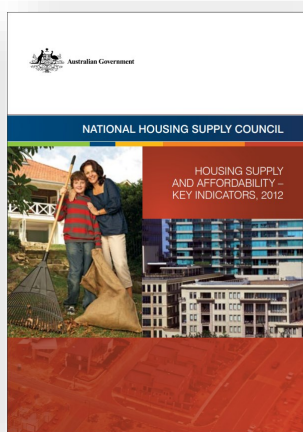
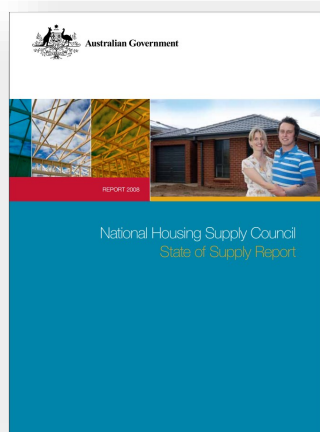
- Strengthen the evidence basis for decision making by advising the Minister for Housing on the state of the housing market and current developments, including the adequacy of land supply and construction activity to meet demand;
- Examine the implications for housing supply of urban planning and infrastructure development, including public and private transport development, and technological change in the communications sector;
- Provide advice to the Minister for Housing on options and strategies to improve housing supply and affordability, particularly for lower income households, and
- Advise the Minister for Housing on specific issues as requested.

The Council's perspective ranged across all levels of the housing system, encompassing the owner-occupied and private rental sectors, as well as community-managed and public housing.

The National Housing Supply Council was abolished in November 2013.

Source: [www.treasury.gov.au](http://www.treasury.gov.au)

### Reports included:



## HOUSING AFFORDABILITY

A joint position paper of the Queensland Council of Social Service and the Property Council of Australia.

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## RECOMMENDATION

# Setting a target for social and affordable housing

We know that housing affordability continues to decline so we need to act now to ensure we address this issue.

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Affordable rental

Private rental

Assisted Home Ownership

Home Ownership

### QCOSS and the Property Council recognise the need to set targets to drive the delivery of social and affordable housing.

Setting a target creates opportunities for collaboration between private, not-for-profit and government sectors, along with creating an environment to enable policy settings to respond.

The setting and monitoring of these targets should be the responsibility of an entity like the Housing Supply Expert Panel. Until such time as the Housing Supply Expert Panel establishes tangible targets, we recommend that the Government set a minimum target of 3,800 affordable dwellings, and 1,500 social housing dwellings each year for the next 10 years.

The affordable housing target equates to 10% of the total number of dwellings the Queensland Government anticipates will be required to accommodate population growth over the next ten years\*.

This housing should be made available to low and medium income households that are seeking housing to meet their needs, and are currently spending more than the generally accepted benchmark of 30% of household income on housing.

The minimum social housing target responds to the current shortfall of households on the public housing waiting list in Queensland.

The housing affordability problem in Queensland is of a scale and complexity that will require collaborative assistance across all levels of government, not-for-profit and private sectors.

No action, or a continuation of the status quo, is not a viable option.

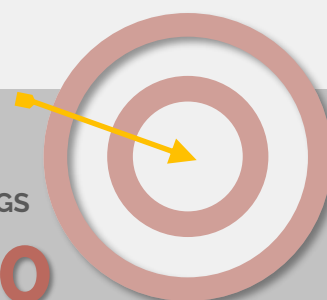
*\*Queensland Housing Strategy 2017 - 2027*

### QCOSS & Property Council recommended target

Minimum:

**38,000**  
AFFORDABLE DWELLINGS

**& 15,000**  
SOCIAL HOUSING DWELLINGS



**over the next ten years.**



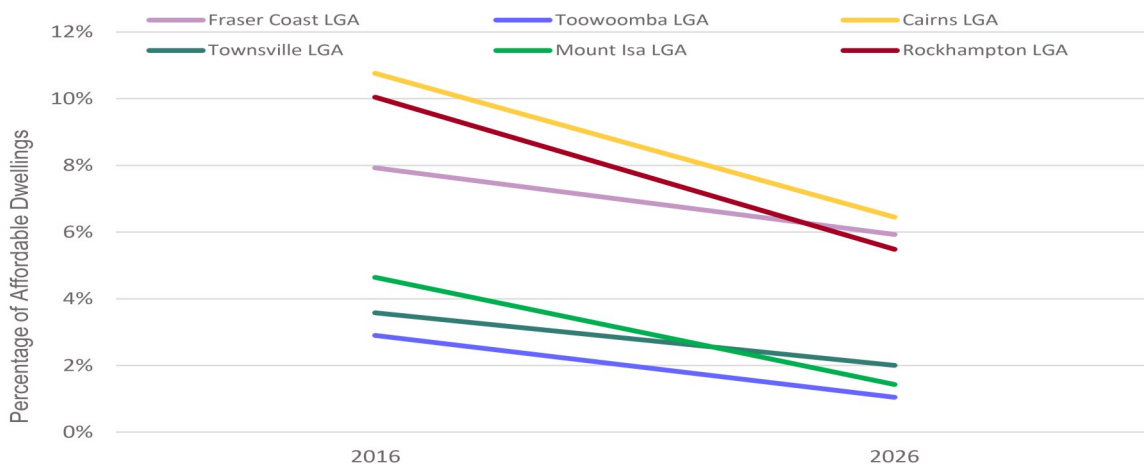
# SCENARIO TESTING

Over the next ten years housing affordability is expected to decline rapidly across Queensland. This is evidenced through the research QCOSS and the Property Council commissioned through Urbis titled *Affordable Housing Research: Addressing the Queensland Affordability Gap*.

## Declining Dwelling Purchase Affordability for Low Income Households

Selected Regional Areas, 2016 and 2026

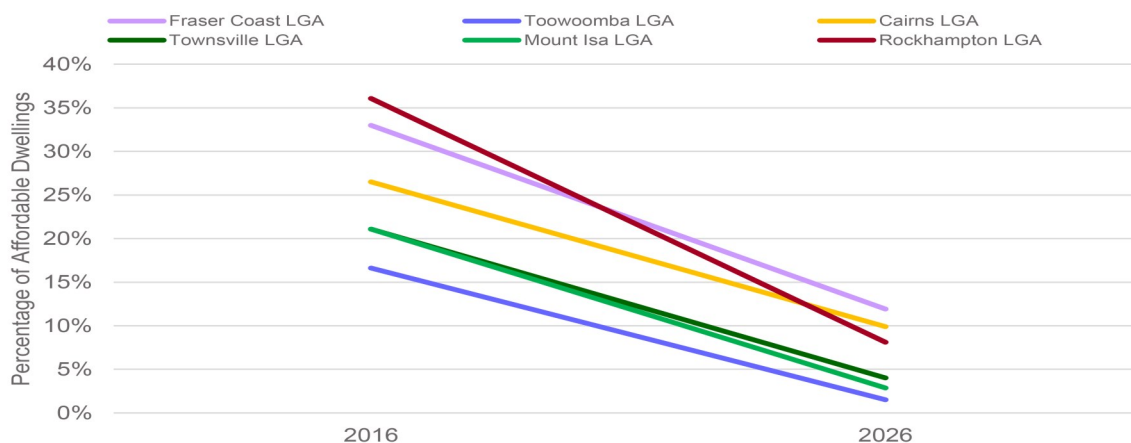
Chart 1.1



## Declining Dwelling Purchase Affordability for Moderate Income Households

Selected Regional Areas, 2016 and 2026

Chart 1.2



Source: Urbis affordability Gap Scenario Testing, 2016, ABS 2011, APM PriceFinder

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## RECOMMENDATION

Make better use of government resources, through...

# Unlocking government land

Greater government focus on utilising its own land assets to deliver social and affordable housing where it is needed most.

*Areas of impact on the housing continuum*

Social

Affordable  
rental

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Home  
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**As the largest landholder in the state, including a large portfolio of housing stock, a strategy to make better utilisation of Government resources has the capacity to dramatically impact on the cost and supply of housing across Queensland.**

The Government's *Advancing our cities and regions strategy* provides a framework for Government to work with the private and non-government sectors to maximise community and economic development outcomes on surplus, underutilised land. This includes possibilities for the delivery of a variety of housing types and for the provision of sub-market housing options.

Given there is currently a significant cost impost associated with owning and maintaining the land parcels identified through the strategy- and little in the way of resultant returns to the community- incorporating the private and non-government sectors in better utilisation of this land would create returns on several fronts.

Some of the localities identified in the strategy are currently experiencing an undersupply of affordable and/or accessible housing, either for rental or purchase- particularly for low and moderate income earners.

Prioritising housing outcomes and fast-tracking the strategy to get land to market faster could assist in addressing the issue of supply across all sectors of the housing continuum.

However, the current strategy identifies housing as a priority for only one of the identified eight economic and community zones. Whilst acknowledging that each zone will be different, it is recommended that the provision of affordable housing options are prioritised for consideration in all areas. Providing incentives and/or a requirement for affordable housing should be a necessary consideration.

In order to have the greatest community benefit, and to ensure surplus or underutilised Government sites across the state are delivering better community outcomes, the Government should seek to broaden its current strategy to incorporate underutilised land in all key locations across the state.

# CASE STUDY

## Unlocking government land

### Green Square, Sydney

Sydney has committed \$540million over 10 years, and is working closely with private developers to deliver a new residential, commercial and cultural precinct at Green Square- a new town centre on old industrial land, only 4 kilometres from Sydney CBD.

In order to provide housing for a mix of income groups, development in Green Square is required to make a contribution towards affordable housing, by providing affordable housing onsite or paying an equivalent monetary contribution to allow housing units to be built elsewhere in Green Square.

City West Housing is working in conjunction with UrbanGrowth NSW, City of Sydney and the private sector to deliver key worker accommodation in Green Square. 104 apartments- a mix of one, two and three bedrooms - have already been delivered, with 15% of accommodation being adaptable for elderly or disabled tenants.

The aim is to provide approximately 330 rental units for very low to moderate income householders over the 15-20 year life of the project. The residents of these dwellings will pay between 25-30% of their income on rent, with the proportion increasing according to household income.



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## RECOMMENDATION

Make better use of government resources, through...

# Utilising infrastructure reserves

Leveraging public landholdings in strategic corridors (such as infrastructure reserves) to deliver responsive, temporary crisis accommodation.

*Areas of impact on the housing continuum*

Crisis

**In addition to its traditional surplus landholdings, the Queensland Government also holds vacant land acquired in anticipation of future infrastructure requirements, for example road and rail corridors.**

Other jurisdictions, including Victoria, have successfully adopted measures to make use of this land for temporary crisis accommodation, an initiative that should be explored here in Queensland.

As documented through the *Housing First: A Roadmap to Ending Homelessness in Brisbane* report, a housing first approach emphasises that a homeless individual or family's primary need is to obtain stable housing. However, to achieve this requires innovative solutions to supply more housing that matches what is needed.

With an increasing variety of moveable, demountable and 'tiny home' dwellings in production, temporary crisis accommodation can be quickly provided in areas at the time of need, and when necessary, moved to areas of new need.

Adopting this initiative would allow the Government to be responsive to need- providing housing in the area of greatest need, at the time it is required- while also making productive use of idle assets.

### Indicative costs of homelessness:

The outcomes of the *500 Lives 500 Homes* campaign conducted in the Brisbane Local Government area provides an insight into the costs of homelessness.

The figures below estimate the health and justice costs incurred by government as a result of homelessness in Brisbane.



Source: 500 Lives 500 Homes Campaign Outcomes 2014-2017

# CASE STUDY

## Australia's first tiny home project

The Tiny Homes Foundation (THF) pilot program intends to serve as a prototype for a new and innovative way to address Australia's growing affordable housing crisis through the development of Tiny Home villages in partnership with state and local government.

Under the arrangement Gosford City Council has leased two blocks of land to THF at no cost, for temporary housing options. The pilot project situated next to Gosford Hospital on the NSW Central Coast consists of four tiny homes, a common lounge, laundry and workshop and community vegetable gardens.

THF's model, based on the 'housing first' approach, is supported by a network of training, employment and social support services. The pilot program will include a common space offering amenities and meeting facilities for the provision of welfare and education services. The project aims to work within a collaborative supported service model that seeks to address the needs of people experiencing, and at risk of, homelessness.

Each 14 sqm home has a finished cost of less than \$30,000 including full bathroom and kitchen, solar efficient design, and is easily assembled and disassembled.



Source: [tinyhomesfoundation.org.au](http://tinyhomesfoundation.org.au)

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## RECOMMENDATION

Make better use of government resources, through...

# Social housing renewal

Transfer of the Government's aged, underutilised housing stock to non-government organisations.

*Areas of impact on the housing continuum*

**Social**

**The Queensland Government currently owns a large portfolio of housing stock that includes ageing, and underutilised social housing.**

Given the scale of the portfolio and the complexities associated with delivering new, fit-for-purpose housing, the Government, as a first step, should transfer underutilised housing to non-government organisations (NGOs) that specialise in the delivery and management of social housing.

This would provide an opportunity to increase the quantity and availability of quality, fit-for-purpose social housing across the state, while also saving the Government money through limiting its involvement with the ongoing costs and complexities associated with internally administering the renewal of social housing stock. Alternatively, long term leases would provide NGOs the ability to leverage and borrow funds to invest in affordable housing.

The Government's *Better Neighbourhoods Logan* initiative provided an opportunity to work in partnership with non-government organisations and the private sector, to deliver fit-for-purpose housing solutions. This approach needs to be expanded in number and in scope. There are many regions across

the state in which housing affordability has become an issue and while the proposed expansion announced in the *Queensland Housing Strategy* is welcomed, we are concerned that it will be insufficient to meet current and projected growth.

Additionally, given the important role they play in delivering accessible housing for some of the most vulnerable people in our society, non-government organisations should be supported through access to state-based capital and growth funds- similar to the Federal Government's National Housing Finance and Investment Corporation- to enable their ongoing viability and expansion.

### Changing demographic

Infrastructure Partnerships Australia's *From housing assets, to housing people: Fixing Australia's Social Housing System* report identifies the changing demographic of those seeking public housing.

The report shows that in 1970, couples with children accounted for 70% of public housing households and now they account for just 4%. Single person households are now the majority, accounting for 60%. While this data is based on the NSW tenant profile the report states this trend is mirrored across all states.

# CASE STUDY

## Social Housing Renewal

### Preston Renewal Project

The Victorian Government has announced plans to redevelop vacant land in Preston in a multi-stage plan to boost affordable housing supply in the area. The first stage will see at least 68 public housing units constructed on long-vacant land in Stokes Street and Penola Street.

The initial redevelopment will provide a 10% increase on the public housing previously provided on the two streets, where original homes built in the 1940s were demolished between 2008 and 2012.

During 2016, soil tests and land surveys on Stokes Street and Penola Streets were done and provisional plans prepared by architects for new affordable social and private housing across the project site. In September 2016, the Minister for Planning approved a suite of controls covering the St Georges Road corridor to guide future development between Preston and Northcote, including this project zone.

The community, council and other stakeholders will be consulted on the Preston renewal planning throughout 2017. The department will seek expressions of interest from potential development partners for delivering future stages on state-owned land that will introduce new homes for private sale. Approval of a development plan will be required before these construction stages can commence.

Subject to planning process, construction of the first stage of new social housing on Stokes Street and Penola Street should be ready for occupancy in late 2018.



*Source: Victorian Department of Human Services*

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## RECOMMENDATION

Make better use of government resources, through...

# Better management of housing services

Dedicated assistance provided to non-government organisations to ensure their ongoing involvement in the management of social and affordable housing.

*Areas of impact on the housing continuum*

Crisis

Social

Affordable  
rental

**Over many years, non-government organisations have played a leading role in the delivery of housing for individuals and families who are unable to enter the private housing market.**

The work of these non-government organisations has been recognised by successive governments as vital to delivering a supply of fit-for-purpose social and affordable housing.

Along with the capacity to grow the stock of social housing, non-government organisations have the ability to provide improved services to tenants through better management of physical assets, the provision of localised housing services, and access to support services.

Currently, however, agreements struck between Government and external parties delivering social housing services tend to be undertaken on a short-term, ad-hoc basis, and change according to budget priorities and ideological positions of the Government of the day.

The sector has the capacity to provide innovative and flexible service delivery and asset management, but is constrained by a range of policy and regulation.

To ensure the ongoing viability of the sector and the delivery of better outcomes for tenants, greater certainty for non-government organisations is needed.

This includes developing better partnerships with the sector, facilitating the transfer of social housing management rights, housing stock and titles to the community housing sector, and offering tax incentives and access to growth funds to enable its expansion.

If the policy settings enable the non-government sector to grow ultimately this will:

- deliver more fit-for-purpose social housing,
- provide better management, and
- improve the service offering to tenants.

# CASE STUDY

## NSW Management Transfer Program

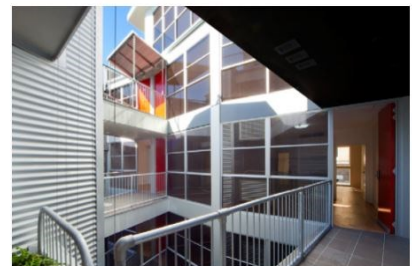
As part of the NSW Government's *Future Directions for Social Housing in NSW* strategy, the Government is transferring tenancy management of around 14,000 social housing tenancies to community housing providers.

Community housing providers currently manage 19% of the 144,000 social housing properties in NSW. Upon completion of the transfer, community housing providers will manage 32%.

SGCH is one of the providers who is partnering with the Government on the transfer of properties along with other programs identified in the strategy. As a Tier 1 organisation, SGCH employs over 160 staff and provides a home for 8,900 people across 4,700 properties in the Sydney metropolitan region.

In October this year, SGCH successfully bid for the transfer of 1,400 tenancies in North Sydney. Under the contract, SGCH will lead the coordination of the social housing system in the area, provide tenant support coordination, and undertake property and tenancy management of the portfolio of social housing properties.

The housing and associated services delivered by SGCH are the foundations to connecting people to opportunity and creating a difference in their lives, communities and places in which they live. This work helps to improve tenants' health, wellbeing and opportunities while fostering community participation, social connections and economic independence.



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## RECOMMENDATION

Undertake regulatory reform, to deliver...

## A planning system that facilitates affordable housing

Government oversight of local government planning schemes, to ensure a sustainable pipeline of affordable land serviced by infrastructure

*Areas of impact on the housing continuum*

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### **A streamlined and efficient land use planning system is needed to deliver an adequate supply of social and affordable housing in Queensland.**

Currently, there are myriad planning laws, policies and regulations that guide how and where housing is able to be delivered, with each adding time, cost and complexity to the system. Each year of delay in receiving planning approval costs \$6,470\* per dwelling- this is an avoidable cost, that is being added to the price tag of new homes.

Over the past four years, the Queensland Government has worked closely with local governments and the industry to develop new planning legislation, that commenced on 3 July, 2017.

The Government has also recently finalised the South East Queensland Regional Plan 2017 (SEQR), providing guidance on how and where growth will occur in the SEQ region. Like the planning legislation, any benefits the SEQR brings to housing supply and affordability will rely on local governments utilising their planning schemes to create a sustainable pipeline of land serviced by infrastructure.

Through committing to a revised National Affordable Housing Agreement in its 2017-18 Budget, the Federal Government aims to incentivise state and local governments to increase the supply of housing.

These incentives combined with other Federal Government measures including the affordable housing bond aggregator, and new tax incentives to increase private investment in affordable housing, provides a unique opportunity to encourage the delivery of affordable housing.

In order to make the most of these incentives, the Queensland Government must work with local governments to ensure the benefits of a simplified planning system are realised, including annual monitoring and reporting on dwelling targets. The independent Housing Supply Expert Panel would be well placed to undertake this annual program of monitoring.

*\* Urbis, Greenfield Cost Impact Assessment, 2016*

# CASE STUDY

## A planning system that facilitates affordable housing

In 2015, the Property Council commissioned Urbis to undertake research to identify the cost impact of planning delays on new housing. The research showed that not only do planning delays add considerably to the cost of housing, it also showed that areas with limited greenfield land supply have seen more dramatic increases in the cost of land between 2009-2015.

Key findings from the report include:



\* Urbis, Greenfield Cost Impact Assessment, 2015

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## RECOMMENDATION

Undertake regulatory reform, to deliver...

# A single housing code

A single code to guide the delivery of housing across all local governments.

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**Adding to the complexity of Queensland's planning system, each local government across the state has its own housing code that developers must follow when seeking to deliver any new housing.**

These differing codes lead to the unnecessary addition of considerable costs and inefficiencies in the design and construction of housing. These differing codes also mean that while affordable and accessible housing models, such as secondary dwellings, granny flats and Fonzie flats, are permitted in some local government areas, they are not permitted in others without undergoing an additional, higher form of development assessment and public scrutiny.

Adoption of a mandatory housing code for all local governments across the state would allow for the design of a consistent (and therefore cheaper) housing style, along with facilitating the delivery of different forms of affordable and accessible housing that are often not addressed in local government planning schemes.

A standard housing code was put forward for public consultation as part of the *Queensland Building Plan Discussion Paper*. The Property Council and QCOSS support the introduction of a single code to guide the delivery of housing across all local governments in Queensland.

As outlined in the discussion paper the current rules are out of step with contemporary development and there has been a significant increase in the number of different design rules for houses across Queensland's 77 local government areas.

The figure is multiplied by the number of individual Plans of Development that have been created within each new subdivision. It is estimated that there are approximately 500-600 separate Plans of Development containing individual design rules in South East Queensland alone.

A recent report released by the Housing Industry Association found that varying rules for gaining building approvals across local government planning schemes is adding significant costs to home buyers and adding to affordability concerns.

The Housing Industry Association estimates that the total cost to industry, local government and ultimately home buyers of not having a mandatory single state housing code is at least \$170 million a year.

# CASE STUDY

## Fitzgibbon Chase and Small Lot Housing

Fitzgibbon Chase in Brisbane has emerged as a leading industry exemplar of compact, diverse and affordable housing innovation. It was developed by Economic Development Queensland (EDQ) formerly known as the Urban Land Development Authority (ULDA).

The main housing outcome sought at Fitzgibbon Chase was housing affordability. The housing affordability target set for Fitzgibbon Chase was 66 % of dwellings to be delivered at or below the median Brisbane house price. In the end, 85% of homes sold met the affordable housing target.

Flexible planning controls available in Fitzgibbon Chase allowed the builder partners to pursue innovative housing designs to improve housing affordability as well as housing diversity.

A variety of smaller, non-traditional lot sizes and configurations were used to provide affordable housing. This included villa houses based on lots of 185m<sup>2</sup>; 3 bedroom terrace houses on 150m<sup>2</sup> lots with rear entry car garaging; loft houses on 60m<sup>2</sup> lots, attached to villa houses over rear lane and garage entries; urban houses built on lots of up to 140m<sup>2</sup>; duplexes/quadplexes built as separate freeholds, not on community title; and apartments with 35m<sup>2</sup> floor spaces.

The median lot size delivered was 320m<sup>2</sup> (Brisbane average 450m<sup>2</sup>), with some lots as small as 60m<sup>2</sup>. Initially builders were reluctant to develop smaller dwellings, as they had limited experience with the typology.

The learnings and built form outcomes from Fitzgibbon Chase are evidence of the types of affordable housing that could be facilitated through a single housing code.



*Source: Urbis: Affordable Housing Research: Addressing the Queensland Affordability Gap. Department of Infrastructure, Local Government and Planning; Fitzgibbon Chase Guide Book; June 2012*

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## RECOMMENDATION

Incentivise the delivery of affordable housing, through...

# Shared equity schemes

Expansion of the *Pathways shared equity loan* program, and involvement of the private sector in future shared equity schemes.

*Areas of impact on the housing continuum*

Assisted Home  
Ownership

**Queensland, like several other states, provides shared equity affordable housing opportunities for people on low to moderate incomes. The Queensland program, *Pathways shared equity loan*, is however, limited to eligible buyers who are currently a tenant in government-owned housing.**

A number of options exist for expansion to support more potential homebuyers to enter the home ownership market.

1. Firstly, expansion to ALL social housing tenants, including those in homes owned by community housing providers. As with the current program, the home would need to be available for purchase for the tenant to be eligible.
2. Expansion beyond those on the social housing waitlist to all low and moderate income earners.

The *Keystart* Program in Western Australia provides a great example of how the Government can assist in bridging the deposit gap for this cohort. *Keystart* provides low deposit home loans for tenants looking

to access the market where other lenders cannot provide assistance. Options exist for homebuyers to take on full ownership or shared ownership of their property.

Under the Shared Home Loan model, the Housing Authority will co-own up to 40% of the property. Other assistance is available for identified cohorts including Aboriginal and Torres Strait Islander, people with a Disability and Sole Parents. So far, over 85,000 people have used *Keystart* to secure home ownership.

Another model for incentivising the involvement of the private sector in delivering shared equity schemes, is the Buy Assist- community shared equity scheme, currently operating in Victoria. This model utilises the National Affordable Housing Consortium to build partnerships with developers to assist low and medium income earners enter the home ownership market.

# CASE STUDY

## Shared equity schemes

In late 2013, Australian Housing and Urban Research Institute (AHURI) undertook research into the Keystart program in Western Australia to measure the success of the program against its stated objectives. Through a case study evaluation, the report determined not only that the Keystart (and Sharedstart) program had assisted in increasing the stock of affordable housing, 91.3 per cent of respondents who have utilised the program agreed or strongly agreed they would recommend the scheme to others.

### **Key findings**

- Three points of intervention, or aspects of the program, were critical to its success: the procurement of new, affordable housing at scale; an efficient and effective sales program to locate and engage eligible clients; and the provision of the shared equity loan to enable targeted clients to enter home purchase.
- Contextual factors that contributed to the scheme meeting its outcomes included the downturn in the property market which provided the 'right' market conditions for the scheme to be successful, and Department's existing capabilities in 'land development and procurement', 'home finance', and 'management of working capital and cash flow'.
- Factors that came together to enable the 'supply mechanism' to work effectively included:
  - Engaging land developers and builders of different sizes.
  - Engaging vertically integrated building companies.
  - A range of perceived benefits from working with government rather than private clients.
  - Availability of the 'right' land in terms of location, size and price.
  - Flexible implementation by the Department.
- Factors that came together to enable the 'sales mechanism' to work effectively included:
  - The Opening Doors website sales portal.
  - Effective marketing to manage consumer expectations and to engage real estate agents in the process.
  - Addressing perceived stigma associated with 'Department housing'.
  - Good housing design.
- Factors that came together to enable the 'loans mechanism' to work effectively included:
  - No mortgage insurance charges
  - Mortgage payments commencing only once full construction is completed
  - A low deposit of 2 per cent only on the share owned by the home owner.

*Source: A new approach to delivering shared equity opportunities in Western Australia: a case study evaluation, AHURI with PricewaterhouseCoopers, December 2013*

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## RECOMMENDATION

Incentivise the delivery of affordable housing, through...

# Decreasing taxes, fees and charges

Reconsideration of stamp duty thresholds, particularly for first home buyers and seniors.

*Areas of impact on the housing continuum*

Crisis

Social

Affordable rental

Private rental

Assisted Home Ownership

Home Ownership

**Government taxes, charges and regulatory costs can add 22% to the cost of new housing.<sup>1</sup> In Queensland, the property industry contributes \$9.9 billion – or 49.8% of State and local government taxes, fees and charges.<sup>2</sup>**

The mix of taxes on the acquisition of land, infrastructure and other charges during development, combined with land tax and charges on the final purchaser, are baked into the cost for homebuyers.

There are myriad opportunities for government to reduce this cost impost, with the most effective target being the progressive removal of stamp duty. This tax has been identified time and again as a highly inefficient and inequitable tax that distorts market activity.

Many consider stamp duty a one-off-tax, but the impact of the fee over the life of a mortgage can be considerable.

The purchaser of an average Brisbane home in 2015, priced at \$490,000, would have paid \$8,400 in stamp duty. Over the life of the mortgage, this homebuyer will pay an additional \$6,333 in interest on

the tax, bringing the total cost of the tax to \$14,733.

Furthermore, stamp duty thresholds have not changed in a generation leading to considerable bracket creep.

The stamp duty cost for a median house in Brisbane rose by 632% from 1995 to 2015.<sup>3</sup> Over that same period CPI has only increased by 171%.

The imposition of stamp duty is not only a barrier to entry to home ownership, it is also a barrier to mobility, as owners are taxed each time they move home. This is a particular concern for seniors, who are financially penalised for 'downsizing' to a home that better suits their needs, thereby preventing them from freeing up their existing home for another potential purchaser to 'rightsize'.

Initial responses the Queensland Government can move to implement include reviewing the current stamp duty thresholds to ensure they do not become a barrier to the purchase of a new home, and removing stamp duty for seniors to encourage downsizing to a smaller or more accessible home.

<sup>1</sup>ACIL Allen Consulting, <sup>2</sup>AECGroup,

<sup>3</sup>Property Council, Stamp Duty Analysis, 12 June 2015



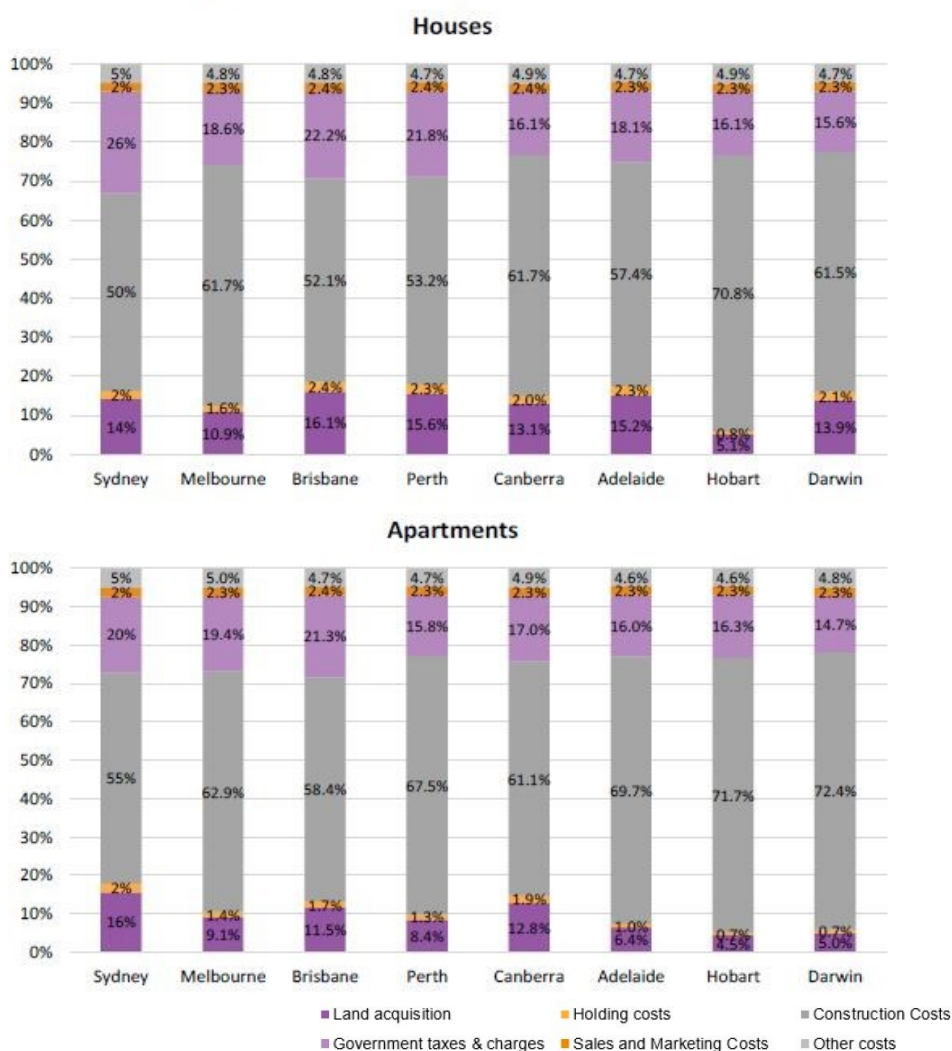
# RESEARCH

## Decreasing taxes, fees and charges

In 2015, the Property Council released a research piece commissioned through ACIL Allen Consulting titled: *Modernising Australia's Tax System*. The research illustrates the magnitude of taxes incurred during the development phase of new properties.

The following graphs provide a comparison of development costs for houses and apartments across Australia's capital cities.

**Figure 20 Comparison of development costs for houses, apartments and offices across Australia's capital cities, share of final building acquisition cost (per cent, 2014)**



Note: Other costs include legal fees and developer margins.

Source: Rider Levett Bucknall and ACIL Allen Consulting, 2014.

## HOUSING AFFORDABILITY

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## RECOMMENDATION

Incentivise the delivery of affordable housing, through...

# Local government incentives

Implementation of local government incentive programs targeting increased supply of affordable housing.

*Areas of impact on the housing continuum*

Social

Affordable  
rental

Private rental

Assisted Home  
Ownership

Home  
Ownership

**Provision of housing is not just the responsibility of the State Government. Local governments have a significant role to play in the delivery of housing, through planning, taxes, fees and charges, along with the many policy levers at their disposal.**

How they choose to utilise this range of levers can have a significant impact on the cost and levels of supply of any given form of housing.

Some local governments have already introduced incentives for desirable development types- such as student accommodation- through interventions including planning concessions, faster planning approvals and infrastructure charges discounts.

These incentives have seen significant supply additions over a relatively short period of time, providing both economic and social benefits for the local government.

Importantly, these incentive programs have incorporated a range of initiatives, as it is rarely one single lever preventing the market from delivering an adequate supply of any given form of development.

Given the success of previous incentive programs, local governments are encouraged to explore the introduction of an incentive package to facilitate the private sector delivery of additional social, affordable and accessible housing stock.

Local governments that adopt incentive policies for affordable housing will assist their local communities through:

- Increased local economic stimulus,
- Job creation, and
- The social benefits that are derived from the provision of affordable and/or accessible housing.

QCOSS and the Property Council encourage local governments to develop and implement incentive policies to facilitate the delivery of social, affordable and accessible housing stock.

# CASE STUDY

## Local government incentives

### Brisbane City Council Retirement Living and Aged Care Accommodation Incentives

In September 2016, Brisbane City Council launched a suite of initiatives to address challenges faced in the delivery of retirement and aged care accommodation. The intent of the initiatives was to stimulate the development of seniors' housing, to assist in catering for our ageing population.

Initiatives within the incentive package include:

- A 33 per cent reduction in infrastructure charges
- Dedicated assessment managers to process new applications- including free pre-lodgement advice, and a decision within 90 business days
- Consideration of aged care and retirement living in neighbourhood plans
- Amendments to *Brisbane City Plan 2014*, including:
  - Update of the strategic framework to emphasise the important need for seniors' housing
  - Recognition that other uses (such as retail and commercial) can be co-located with seniors housing
  - A retirement facility and aged care facility development code
  - Encouragement of the refurbishment and reuse of existing facilities and sites
  - Broadening of the zones where seniors' housing is envisaged
  - Increase to allowable building heights
  - Facilitation of self-assessable development for change of use between retirement facility and aged care facility

The City Plan amendments are currently awaiting Queensland Government approval prior to being placed on public exhibition. Once the amendments are adopted, the entire incentives package will assist in the delivery of accommodation that is currently unfeasible or not permitted.

Between 2010 to 2015, an average of 8 seniors-orientated developments were approved per annum within Brisbane. Since the incentive package was introduced in September last year, 19 applications have already been approved. Nine more are currently under assessment. This equates to an additional 1,254 beds and 1,933 retirement units for the city.



Image: The Village Yeronga

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## RECOMMENDATION

Create more choice for renters, through...

# Establishing Build-to-Rent

Facilitation of institutional investment in the private rental market, to deliver more choice and greater security for renters.

*Areas of impact on the housing continuum*

Affordable  
rental

Private rental

### **There is a recognised need and willingness for institutional investors to become involved in the delivery of rental housing.**

While community housing and other non-government providers will continue to play a vital role in the delivery of social and affordable rental housing, in order to deliver housing at a scale that meets the underlying demand of the market, opportunities must be explored to attract institutional investment into the rental market.

Build-to-Rent is a form of purpose built housing, designed for the rental market. Common in the United States (known as multi-family property), and increasingly common in the United Kingdom, Build-to-Rent provides a positive option for renters, as it ensures security of tenure, predictable rental increases, and better overall management of rental housing. Build-to-Rent developments are owned and managed long-term by large investors (usually institutions) and are considered an asset class in the same way that office, industrial or retail assets are considered.

The Federal Government's budget decision to allow affordable rental housing within a Managed

Investment Trust (MIT) is welcomed, however, more needs to be done to establish the Build-to-Rent sector in Australia. This includes ensuring that the Federal Government does not preclude MIT's from investing in market led Build-to-Rent properties.

The objective is to support a viable at-market Build-to-Rent sector at scale with the right incentive framework to also unlock a pipeline of affordable rental stock. There are some challenges including GST rules that may impact the viability of the Build-to-Rent sector.

Furthermore, as the multiple dwelling residential asset is held in single investor-grade ownership, it is likely to be subject to higher levels of land tax and council rates, as opposed to the thresholds for individuals who purchase single dwellings.

To create a viable Build-to-Rent sector, governments at all levels will need to put powerful incentives on the table to open up a volume of investment into affordable rental stock.

To further explore these issues, the Queensland Government should establish a working group to unlock the potential of the Build-to-Rent sector.

# CASE STUDY

## UK Build-to-Rent

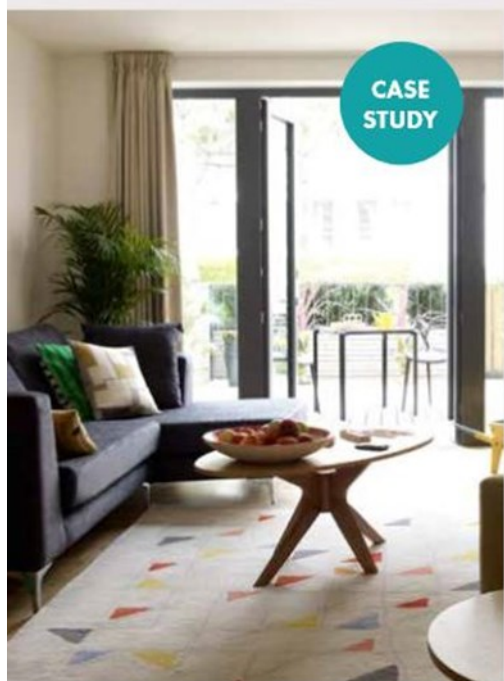
In the UK, the median house price is almost eight times the average yearly earnings, and as a result the proportion of people living in private rented homes has doubled since 2000. This has led to 2.2 million working households on below average incomes spending more than a third of their disposable income on housing.

In February 2017, the UK Government released *Fixing our broken housing market*, a white paper which sets out a broad range of reforms to increase the supply of new homes. Among the raft of measures, planning rules will be amended so councils can plan more long-term Build-to-Rent homes.

Build-to-Rent apartments currently make up just two per cent of the private rental sector in the UK, which predominantly consists of small-scale landlords. Consequently, the Build-to-Rent asset class is under developed – but with “enormous potential”.

Instead of a large development being sold to individual owners, the asset is maintained under single ownership, which attracts institutional investment looking for steady returns.

Build-to-Rent presents several advantages for tenants too, because each development is designed specifically for renters. This may include concierge and onsite maintenance services, long leases and rent increases pegged to inflation.



### GET LIVING LONDON, EAST VILLAGE THREE-YEAR TENANCIES

East Village is perhaps the highest profile Build to Rent scheme in the UK. Converted from the London 2012 Athletes' Village, it now provides 1,439 rental homes in London E20. While there are a good number of innovations to praise at East Village, customer service and the range of different tenancies offered to those wishing to live in the scheme are particularly worthy of note. A three-year tenancy is one of the most popular choices, whereby a standard Assured Shorthold Tenancy is written for three years with rents rising by CPI at the end of each of the first two years. This gives tenants certainty, while the landlord benefits from a reduced risk of vacancy. Tenants can balance flexibility and security with the ability to give two months' notice to end their tenancy at any time after the first six months.

Source: BPF Build-to-Rent *Welcome to the UK's Newest Housing Sector* report

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## RECOMMENDATION

Create more choice for renters, through...

# Sub-market and affordable rental

Coordination of a private sub-rental market, and funding for a state-based rental subsidy scheme.

Areas of impact on the housing continuum

Affordable  
rental

**Sub-market rentals offer properties for rent at below market rates to low income earners. Rental properties can be provided directly through the management of private stock at the owner's discretion, publicly through utilisation of repurposed government-owned housing, or through subsidy incentive programs.**

As shown below, Queensland has the nation's highest proportion of low income households in housing stress. Private sub-market rentals may be facilitated through not-for-profit agencies, such as Home Ground Victoria, whereby tenants are selected on need and ability to pay, and matched with housing offered by the private market, with rental prices

ranging from free (crisis) through to income-based, median area discounted, or full market rent.

A similar model should be explored here in Queensland, to coordinate and deliver better outcomes for the private sub-rental market.

Subsidies for investors, such as the National Rental Affordability Scheme- which delivered approximately 38,000 new dwellings nationwide, rented at 80% of median area rent price- are demonstrated to add considerably to available stock.

With the absence of a Federally-funded rental subsidy scheme, the adoption of a similar program at a State-level is recommended.

*Photo: BHC NRAS Property*

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	Australia
Greater Capital City	54.4	45.2	48.2	34.7	46.4	38.2	38.5	31.7	47.1
Rest of State	29.0	31.9	47.0	27.0	29.9	26.0			34.7
All households	43.3	41.6	47.6	33.2	42.9	31.5	35.5	31.7	42.5

Prepared by Urbis; Source: ABS

QLD has the greatest unaffordability  
for low income households



# CASE STUDY

## Sub-market and affordable rental

### National Rental Affordability Scheme

The National Rental Affordability Scheme (NRAS) is a partnership between the Australian Government and state and territory governments. Commencing in 2008, the Scheme was designed to stimulate the building of rental homes in growth areas, to satisfy high demand for affordable rental housing for low and moderate income earners.

NRAS provided a rental incentive to the private sector and community organisations to build and rent dwellings to eligible low and moderate income households at a rate that is at least 20% below the prevailing market rate. It aims to encourage medium to large-scale investment in affordable housing (usually 100 or more houses).

As at April 2017, 10,232 affordable rental homes were supported through NRAS in Queensland.

While the Scheme offers incentive payments to participants for 10 years from the date of commencement, no new dwellings will be available for rent after 30 June 2016.

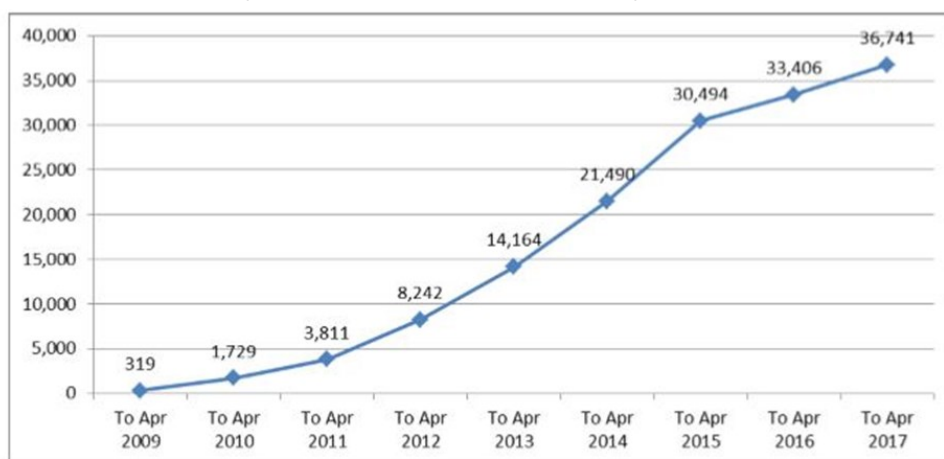
NRAS delivered approximately 38,000 units of new build housing stock rented at 80% of median area rent price through

Commonwealth subsidies to investors and 133 housing providers across Australia.\* The program, which represented an effective way of stimulating construction investment and delivering affordable rental housing has no further application rounds planned.

An independent evaluation of Queensland NRAS implementation determined that NRAS made a positive contribution to increasing affordable housing as well as positively impacting the NRAS providers' respective business models. However, interviewees attributed difficulties with the scheme to the State and Federal Governments not having a "realistic understanding of the industry from a delivery point of view and uncertainty surrounding the continuation of the scheme." Delays in approvals processes were linked to the Government's lack of experience in delivering property development projects.\*

*\*Susilawati, Connie & Reggi, Gabriel (2014) Implementation of National Rental Affordability Scheme in Queensland. In Warren, Clive (Ed.) 19th Asian Real Estate Society Conference, 14-16 July 2014, Gold Coast, Australia.*

Cumulative Delivery of NRAS Incentives Nationally



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