

**OPTIONS TO IMPROVE ACCESS TO EXISTING AND ALTERNATE
ACCOMMODATION TO ADDRESS THE SOCIAL HOUSING SHORTAGE**

Organisation: Housing All Australians and Tract Consultants

Date Received: 9 August 2021

Ms Wendy Lindsay MP
Committee Chair
Legislative Assembly - Committee on Community Services
NSW Parliament
(02) 9772 2774
communityservices@parliament.nsw.gov.au

6 August 2021

Dear Ms Lindsay MP,

On behalf of the private sector initiative, Housing All Australians ('HAA'), we welcome the opportunity to make this submission to the Committee on Community Services and contribute our experiences and recommendations for delivering more social and affordable accommodation options for the community, primarily through the temporary use of existing vacant buildings.

Introducing Housing All Australians and Tract.

Housing All Australians (HAA)

Housing All Australians (HAA) is Public Benevolent Institution (DGR1), established in 2019 to facilitate a private-sector voice in the national discussion around housing and homelessness. HAA believes that homelessness in Australia is the "canary in the coal mine" to a much bigger issue that permeates the housing continuum.

HAA views the impact of homelessness through a commercial lens and has come to the unambiguous view that housing for all, rich or poor, is the fundamental economic infrastructure to build a flourishing economy and a fully engaged society. Like roads, schools and hospitals, safe, affordable, and stable housing are one of the fundamental economic platforms upon which to build an economically prosperous country.

HAA's role is to:

- To harness the goodwill that exists within the private sector to develop strategies, take actions, and raise awareness regarding the fundamental human need (not human right) for shelter.
- To increase the availability of, and access to, affordable housing for key workers and those on low incomes to relieve poverty, distress, and disadvantage.
- To provide a forum for sharing facts, ideas, experience, and private sector skills around creating affordable housing options throughout Australia.

For further information on the role HAA plays in viewing the chronic shortage of affordable, social and public housing through a commercial lens, please refer to the relevant attachments to this letter and the HAA website – www.housingallaustralians.org.au.

Additionally, HAA has agreed to take part in the filming of a documentary on women over the age of 55, being the fastest growing cohort of homeless in Australia, and continue to raise awareness about Australia's vulnerable and homeless and how these issues affect Australian society and we encourage the committee to visit - www.undercoverdocumentary.com.

Tract Consultants (Tract)

Tract is a national planning and design practice specialising in town planning, urban design, landscape architecture and associated digital media. As planners and designers, our charter and purpose are to positively impact built environments and support the communities that inhabit the natural and built environments.

Tract actively supports HAA in its vision of delivering affordable housing for all Australians and willingly provides our time and services as required to help achieve its mission.

For further information on Tract's national involvement in various housing projects, please refer to our website at www.Tract.com.au. A copy of our National Profile is available for download – [Tract National profile](#)

Norton Rose Fulbright (NRF)

Norton Rose Fulbright Australia is part of the international law firm of Norton Rose Fulbright with a specialist environment, planning and heritage team that has received numerous awards for its leading innovation and problem-solving. NRF provided some additional advice to HAA during the preparation of this letter.

HAA and Tract submission details

To discuss any part of this submission, please get in contact with Robert Pradolin, Founder and Board Member of Housing All Australians, or Tract's Justin Slater (Director) or Leonard Slabbert (Principal Town Planner) on the details below:

- [REDACTED]
- [REDACTED]

About Housing All Australians submission to this inquiry

HAA appreciates and supports the NSW Governments inquiry into repurposing empty accommodation, or other appropriate buildings, into providing short-term shelter. It is understood that reducing (removing) red tape and improving the community's access to existing and alternate accommodation will be a crucial contribution towards addressing the social housing shortage within NSW.

Based on HAA's experience in repurposing such buildings, removing red tape would significantly improve the availability of what they term as "existing underutilised infrastructure" and facilitate the greater use of such buildings.

HAA's Founder and former Frasers Property Australia Executive for over 18 years, Rob Pradolin, has been involved and responsible for facilitating the use of empty buildings and breaking through the Victorian government bureaucracy to establish the first "meanwhile use" facility in Victoria. His perspectives and experiences in repurposing this empty aged care facility into temporary accommodation for women over 55 years of age (the fastest growing cohort of homeless in Australia) uniquely places HAA in the position to provide "real life" insight and commentary on the issues involved in the utilisation of empty buildings into "meanwhile use" accommodation.

As such, HAA and this submission specifically address and offers potential solutions for the following Terms of Reference items:

- **Item a). options to better support 'meanwhile use' (temporary supportive accommodation), and the current major planning barriers to 'meanwhile use.'**
- **Item c) options for crisis, key-worker and other short term accommodation models.**

Housing All Australians responses to Terms of Reference items (a.) and (c.)

Terms of Reference Item:

a.) Options to better support 'meanwhile use' (temporary supportive accommodation), and the current major planning barriers to 'meanwhile use'.

HAA experience in applying 'Meanwhile Use' to buildings (Pop Up Shelters)

Back in July 2016, the "Pop-Up Shelter" or "meanwhile use" concept was an idea that captured the attention of ABC News and then on talkback radio with ABC's Neil Mitchell. The original story can be viewed by following the link below:

- **Original ABC News Story about the Pop Up Shelter idea (12 July 2016)**
<https://youtu.be/mGLfqf642dw>

It was developed in response to a recognition that thousands of buildings across Australian cities stand vacant. As a result, Robert was inundated with calls from a range of Australians, all concerned with the rising level of homelessness but feeling helpless in terms of what they could individually do.

Many of our citizens experience homelessness across Australia or are waiting for access to social housing as part of each state or territory social housing program. HAA has a demonstrated experience working with the private sector to deliver 'Meanwhile Use' as an option for existing empty buildings (or those awaiting redevelopment approval) to house these vulnerable people in pop-up shelters as a short-term response.

Often these buildings remain idle for extended periods as they await development approval to allow the redevelopment for future uses. With the collaboration of an appropriate housing services support agency, HAA works to repurpose these buildings for short term pop-up shelters as crisis or transitional accommodation. HAA's role is to deliver temporary housing by sourcing the necessary project development, management, and construction skills (primarily provided by the private sector in a voluntary capacity).

In August 2018, Melbourne's first Pop Up Shelter was launched. It was an empty Aged Care facility of 52 rooms (vacant for two years). Robert worked with the YWCA and engaged many corporate supporters to refurbish 32 rooms in this facility.

- **ABC News story Homeless women over 55 years housed in a Pop-Up shelter.**
- ABC News video on LinkedIn (August 2018)

(Source: <https://www.linkedin.com/feed/update/urn:li:activity:6429570025702682624/>)

In the first two years, from these 32 rooms, the YWCA has provided a safe and secure space that has helped 87 women stabilise their lives. The owner, CaSpa Care, is in the process of signing a further 5-year peppercorn lease to the YWCA, and HAA has agreed to refurbish the other 20 rooms to help more

women. A Case Study on the Lakehouse is attached in Appendix B and demonstrates the impact such a facility has provided at no capital cost to the government.

In early 2019, the City of Sydney launched an international “Alternative Housing Ideas Challenge” and received 230 submissions. Seven submissions were selected for further development and HAA’s Pop Up Shelter was one.

- ***“Among the finalists is a cutting-edge new idea to create temporary, pop up shelters which repurpose buildings across the city to provide crisis and transitional accommodation”.***

(Source: <https://www.governmentnews.com.au/pop-up-shelters-could-solve-sydney-housing-woes/>)

As a result of being one of the 7 shortlisted entries, HAA received \$20,000 from the City of Sydney. This money went towards a promotional video that, along with the other 6 ideas, was intended to undergo a public exhibition by the Council in early 2020.

Unfortunately, along with many other initiatives, the onset of the covid pandemic stopped the exhibition from proceeding. The short video can be seen on the [Housing All Australians home page](#).

In addition to the above promotional video, HAA has also agreed to participate in a full-length independent documentary with the working title Under Cover. Financially supported by Screen Australia, Film Victoria, the ABC and many private sector organisations, this documentary explores the lives and plight of middle-class women and raises awareness on how the private sector, through the utilisation of empty buildings, gives them a sense of hope out of homelessness.

The film will be screened at the Melbourne International Film Festival (MIFF) in August 2022, then in cinemas and the ABC.

- ***Under Cover Documentary***

(Source: <https://documentaryaustralia.com.au/project/undercover/>)

(Source: <https://www.undercoverdocumentary.com/>)

In July 2021, HAA launched its second pop-up shelter in a building that had previously sat empty for seven years, with the Salvation Army (TSA) as the owners considering how to best use the property for its community efforts. As a result, HAA, TSA and the goodwill of over 30 organisations (led by Metricon, Quest and Programmed) handed over the Garden House – a new women’s shelter in Melbourne’s eastern suburbs (). The Garden House property was fully fitted out and granted to the YWCA and The Salvation Army to house vulnerable women within the local community temporarily. We’ve included some “before” and “after” photos of the Garden House under **Appendix F**.

- ***Quest Apartment Hotels Post on LinkedIn***

(Source: <https://www.linkedin.com/feed/update/urn:li:activity:6816515850284216320/>)

- ***Programmed post on LinkedIn***

(Source: <https://www.linkedin.com/feed/update/urn:li:activity:6816565171595567104/>)

- ***Housing All Australians Post on LinkedIn***

(Source: <https://www.linkedin.com/feed/update/urn:li:activity:6816541812195491840/>)

As a result of this successful collaboration, HAA is signing a Memorandum of Understanding (MoU) with The Salvation Army. They have many empty buildings throughout Australia that can be repurposed into a “meanwhile use”, including two in NSW that have been identified. HAA and TSA would be pleased to offer these as real-life case studies to the Committee.

HAA is also undertaking work to assist Uniting in Western Australia in creating between 14 to 18 self-contained accommodation rooms in Perth. Further, in a significant show of corporate support (to the tune of \$3.5 million pro bono), HAA has also offered to assist the City of Melbourne in refurbishing an empty 5-storey building owned by the Council into a 50 room facility for homeless people.

- **City of Melbourne Project**

(Source: <https://cbdnews.com.au/safe-place-for-rough-sleepers/>)

(Source: <https://www.linkedin.com/feed/update/urn:li:activity:6822700199371251712/>)

- **ABC News Story mentioning the Uniting Initiative in WA**

(Source: <https://www.abc.net.au/news/2021-07-29/harnessing-the-private-sector-to-alleviate-homelessness/100331666>)

HAA is now represented in every state and territory (except the Northern Territory at this moment). HAA has a Management Team established in NSW, focused on further engaging the private sector on many initiatives, especially on the “meanwhile use” of existing empty buildings and the utilisation of vacant land for temporary accommodation.

In being involved with these projects and receiving extensive community feedback from across Australia, HAA can provide and share valuable insights into the critical issues that, in their view, can unlock this potential.

They can be summarised as follows:

- A significant number of the Australian public believe that homelessness is a local (and national) issue that needs to be solved, but, as individuals, they feel helpless to help;
- Most owners of empty facilities have the perception that *if* they allow the use of their empty buildings for short term accommodation, they won’t be able to get the occupants out when the site is ready for development and that they may suffer negative publicity for what would be known as “kicking homeless people back on the streets”;
- Empty aged care facilities are a “low hanging fruit” as a number have become vacant due to the fallout of the Aged Care Royal Commission. For these facilities, development consent usually stipulates that these facilities can only be occupied by those over 55 years of age. We believe that if a building is to have a short term “meanwhile use” for crisis accommodation, then the age limit should not apply;
- If an office building is sitting vacant while waiting for a new development application to be finalised and the consent granted, the change of use as temporary residential can be lengthy and undefined. From a planning perspective, and without creating any precedent, the temporary use of these empty spaces into short term residential use should be permitted “as of right” subject to complying with the Building Code of Australia.
- There are many large parcels of land that sit vacant for a variety of reasons. HAA is developing an effectively self-contained, transportable accommodation that groups like the Salvation Army are happy to manage and provide support services. In recognition of the housing crisis and the level of hidden homeless in NSW, the use of empty land for short term temporary accommodation should either be “as of right” for temporary accommodation managed by recognised and trusted groups such as the

Salvation Army or, given the community expectation for a level of further governance, be allowed to be fast-tracked.

HAA believes there are 100's of empty buildings in NSW that can be repurposed, at effectively no or little cost, with the goodwill that exists in both the corporate sector and general community. With the support of the NSW Government (not financially in terms of capital expenditure), this private sector initiative can continue to capture the community's imagination and further engage corporate Australia in helping vulnerable Australians by providing their skills or supplies on a pro bono basis.

Through several of its initiatives, HAA has engaged and is supported by many organisations, including Tract Consultants, Norton Rose Fulbright, Metricon, Quest Apartment Hotels, Pwc, ISPT, Frasers Property Australia, Plenary Group, Stockland, Metricon, Simonds, AV Jennings, Assemble, APD Projects, Mona art gallery in Tasmania, the City of Sydney, Norton Rose Fullbright, Minter Ellison, Simonds, Melbourne University, Monash University, Rotary, RMIT, PerCapita, Bendigo & Adelaide Bank, Kane Construction, Cox Architecture, FK Architects and many more.

HAA & The Salvation Army in NSW – Pilot Project Opportunities

The Salvation Army has a long history of responding and working with homelessness and providing services for those in need of homelessness support. The Salvation Army is the largest provider of homelessness services across the country and works to support and assist people in long-term sustainable housing.

The Salvation Army (TSA) owns the Maybanke Aged Care Centre located at 52 Frazer Street, Marrickville, within the Inner West LGA. The site comprises a range of buildings situated around open space and the locally listed heritage item known as 'Booth House' (heritage item no. 180).

HAA and the TSA are investigating the use of a vacant building on the eastern boundary as temporary or long term housing. The building is two storeys in height (< 8.5m) and was previously used as a nursing home (containing 34 beds) and has been vacant for over a decade.

The existing Planning Controls are defined under the *Marrickville Local Environmental Plan 2011* as "R2 Low Density Residential". It is noted that R2 does not permit residential flat buildings in this zone, but it is understood that in converting a nursing home, it doesn't necessarily mean that it will be a residential flat building. We understand that through this conversion, it may be possible for the building to be a group home or a boarding house, each of which is permissible with consent in this zone.

TSA is a registered Community Housing Provider and would be allowed to deliver social and affordable housing as a group home or boarding house as stated above under Division 5 of the *State Environmental Planning Policy (Affordable Rental Housing) 2009 (ARHSEPP)*. To simplify matters, the ARHSEPP should be amended to specifically include a planning mechanism that allows for a simple, fast, and cost-effective conversion of existing buildings for the purpose of "meanwhile use".

The ARHSEPP should also be amended to remove particular provisions that potentially constrain the provision of new affordable housing. For example, in Division 5, the provisions require that any such (new) housing is required to be a maximum distance of 800 metres from a heavy or light rail station. Unfortunately, as an example, this site is 1,300 metres from the closest train station, yet would still have access to public transport as it is a 400-metre walk to the closest bus stop (bus Route 412).

TSA also has an onsite bus for aged care resident visits to local shops, which could be made available to social housing tenants to utilise. The planning provisions under the ARHSEPP do not provide an avenue for TSA to appropriately utilise these buildings temporarily as "meanwhile use" under the current ARHSEPP requirements.

ARHSEPP recommendation #1

Include new provisions in the Draft Housing SEPP to provide a faster, cost-effective, and more flexible regime that facilitates the provision of "meanwhile use" accommodation. In the meantime, amend Clause 34 of *State Environmental Planning Policy (Affordable Rental Housing) 2009* to incorporate land two kilometres (2km) from heavy or light rail. Further, allow for other forms of public transport such as bus and ferry transport or affordable private transport, i.e. community bus, to be considered.

Another problem with the ARHSEPP is particular provisions within Schedule 2. This schedule under the ARHSEPP imposes specific requirements for group homes that enable a complying development certificate to be granted.

This complying development process is a valuable option, as it is generally much quicker and cheaper than going through a traditional development application process and applying for development consent. However, Schedule 2 is problematic because it assumes the proposed development is a new building rather than the adaptive and efficient reuse of existing buildings in a "meanwhile use" scenario.

For example, TSA's proposed building does not comply with the side, and front setbacks required under Schedule 2 and meeting the prescribed minimum private open space requirements would be challenging. Given the critical lack of supply in transitional and crisis housing, it just does not make sense to have such rigid and onerous requirements for temporary "meanwhile use" scenarios.

ARHSEPP recommendation #2

Clause 11 "Exceptions" of Schedule 2 of *State Environmental Planning Policy (Affordable Rental Housing) 2009* be expanded to address appropriate exceptions for the adaptive "meanwhile use" of existing buildings.

As mentioned earlier, the above recommendation could be considered in line with the NSW DPIE's Phase Three for implementing the new Housing SEPP. Further, HAA recommends that the Parliamentary Inquiry considers the following policy and practices be implemented across all levels of government to scale the "meanwhile use" concept effectively:

HAA general recommendations for 'Meanwhile Use' (pop-up shelters):

1. **That the NSW Government promote the utilisation of existing empty buildings and support Housing All Australians in engaging corporate Australia and scaling up the "meanwhile use" concept.**

HAA could also assist the NSW Government in the following:

- Actively helping identify government buildings that are sitting empty; and
- Investigate the removal of any planning "red tape" or requirements for short term use of empty buildings, and encourage other private sector organisations to follow the lead of others and provide their skills, through HAA, on a pro bono basis.

This practice does not require the NSW government to allocate any funds for capital expenditure.

2. **To overcome the reluctance of private owners to make their empty properties available for the reasons stated above, the NSW Government could “incentivise” the private sector by offering (at the NSW Treasurers discretion) to suspend the payment of land tax for the period of time the building is used in its “meanwhile use”.**

These incentives for private owners are expected only to be considered:

- **IF** their building is made available to organisations like HAA; **and**
- **IF** their building can safely and sensibly be converted into short-term transitional housing and managed by an appropriate non-for-profit like the YWCA or the Salvation Army, etc.

3. **The NSW Government promotes the utilisation of empty land for temporary housing by removing the planning “red tape” and establishing “meanwhile use” as a category of exempt or complying development.**

4. **With ESG considerations becoming more mainstream in corporate Australia, the NSW government could encourage corporates to focus contributions into the housing and homeless space by considering making it a requirement for any company to be on future government tenders, that they should also have to demonstrate a level of pro bono activity in assisting NFP organisations like HAA, helping to shelter vulnerable Australians.**

The above point is common practice in top tier legal firms and is starting to get traction in the construction industry in Melbourne. To give an example of the generosity of some organisations, during 2019, the construction company ‘Built’ constructed eighteen crisis accommodation dwellings for Melbourne City Mission at zero profit and zero overheads (HAA notes that this example equates to approximately \$400,000 in foregone profit).

In July 2021, Kane Constructions, along with other supportive organisations (Cox Architecture, Integral Group, WSP, Bonacci, Gallagher Jeffs, du Chateau Chun, Rider Levett Bucknall, Hollerich Town Planning, Marshall Day, and Norton Rose Fulbright), agreed through HAA, to help refurbish an existing five-storey empty building owned by the City of Melbourne at zero profit and overheads to assist the homeless. In addition, Quest Apartment Hotels, Linen House and Dulux have also thrown their hat in the ring, bringing the total pro bono contribution by the private sector to date over to \$3 million

- (Source: <https://www.linkedin.com/feed/update/urn:li:activity:6822700199371251712/>)

5. **The NSW government acknowledges the importance of the private sector’s role in helping the broader community to deliver short-term housing via “meanwhile use” accommodation.**

It should be noted that the “Meanwhile Use buildings” projects undertaken by HAA are not the sole solution. Using existing infrastructure in the form of empty buildings and refurbishing their existing showers and toilets by the private sector through HAA is a low-cost solution for the provision of temporary accommodation. While this type of short-term use in “underutilised infrastructure” needs to be encouraged, “meanwhile use” is purely a short-term response by the private sector to a housing crisis.

It is paramount that more housing must be built in response to the housing affordability crisis. If we don't, we will be leaving future generations with an intergenerational economic and social time bomb.

See **Attachment C** for HAA's economic study outline on the Long Term Costs to a Future Australia of not providing sufficient public, social and affordable housing.

Terms of Reference Item:

c.) Options for crisis, key-worker and other (short term) accommodation models

HAA experience in the creation of a national affordable housing model for key-workers

HAA recognises that homelessness is the "canary in the coal mine" to a much bigger housing problem. This issue will never be eradicated unless governments solve the upstream supply of non-market housing, which means building more public, social and affordable housing, especially affordable housing for our key workers.

Eventually, HAA expects that all state governments will, at some point, need to mandate non-market housing in most residential zones. However, for this to be done appropriately and without putting any further upward pressure on house prices, all state governments **must** give the development industry a sufficient transition period to factor any additional subsidies or costs into their feasibility models.

Without sufficient lead-in time, allowance, and proper 'grandfathering' provision, the actual supply of affordable housing will be limited, and no progress will be made. Any mandated inclusionary zoning considered by governments without a proper transition period will result in a significant financial impost on developers, making many projects financially unviable with the risk of further driving up the cost of housing and preventing the creation of more supply.

HAA "Permanent Rental Affordability Development Solution" (PRADS)

HAA recognises that while the public and social housing streams are well defined and regulated, there are other parts of the housing market where the private sector can play a greater involvement in addressing the shortfall supply of affordable rental housing.

To this end, the HAA is working on a national affordable housing model that engages the development community to align their interests with the government to deliver affordable housing by the private sector better. It allows local government to work with private sector developers to add additional value to the planning process, and for this, additional value is the subsidy for affordable housing.

The "**Permanent Rental Affordability Development Solution (PRADS)**" responds to the long-term affordable rental housing dilemma of delivering affordable housing for key workers, providing a model where the principles and governance rules are applicable nationally to ensure simplicity for the property industry. A visual and diagrammatic overview of the HAA PRADS model can be found in **Appendix C**.

It facilitates a supply of housing that is expected to complement the existing public and social housing system. The PRADS model aims to increase the housing supply for that proportion of households experiencing rental stress and those who cannot be currently accommodated through state-provided housing or the registered housing agencies.

PRADS Overview

In short, the PRADS model is based on the governance principles of the existing National Rental Affordability Scheme (NRAS) but is facilitated under a different delivery model, **which would not impose any costs to the NSW Government.**

The PRADS delivery model seeks to lock in affordable rental housing for its economic life rather than the prescribed ten (10) years required under the NRAS. It also allows the rental stock to be managed by either the Community Housing Associations or approved private sector real estate agents.

It needs to be acknowledged that the development industry will require a subsidy to make affordable housing financially feasible. The best way to achieve this is by using some of the uplift created by increasing land values through the development process. Other means that might be of consideration is via a form of temporary land tax exemptions for landowners/developers utilising their properties for “meanwhile use” housing. Any exemptions from local council rates and charges on any of their properties would be temporary and only for the period that their properties are utilised for transitional housing.

The PRADS model works similarly on this “value sharing” principle, with economic and social outcomes achieved through the local planning process. It is a form of value capture but in reverse. The model is based on local government and the development community working together to achieve development cost savings through accelerated assessment time frames or creating additional value through housing density bonuses.

Either the saving of time, an increase in allowable floor space, or both creates the additional value needed by the developer to offset the subsidy required for the affordable housing and include it within the development.

PRADS Outcomes

This model, if scaled up for delivery through voluntary planning agreements, can create a significant supply of long-term affordable private rental housing without the need for any ongoing government subsidy. From a governance perspective, it will be based on a similar process that currently exists and is used with managing National Rental Affordability Scheme (NRAS) properties.

- The housing created under the PRADS model is rented at below-market rents to tenants with incomes that satisfy the definition of income consistent with local and state government affordable housing policy. This obligation is to exist on the title for the entire economic life of the dwelling.
- The developer and local government negotiate, in good faith, the number of dwellings and the percentage below market rent for which these dwellings can be rented and the obligation is secured via registering a Voluntary Planning Agreement under Section 7.4 of the *Environmental Planning and Assessment Act 1979*. This planning agreement is to exist for the economic life of the dwelling.
- The developer can then sell the dwelling to investors in the private market with the rental encumbrance and an obligation to comply with an appropriate governance process. The private investor then rents the dwelling to the target market through an approved private sector property manager or a housing association.
- As an additional level of governance, the model also includes creating an Affordable Rental Housing Register that identifies all affordable rental obligations. This register is audited annually to ensure satisfactory compliance with the agreed obligations.

PRADS Support

The principles of the PRADS model are supported by many key stakeholders nationally. The principles behind the PRADS model has already been used in Victoria by the Century Group to develop Flinders Bank. An outcome of its implementation was that twenty (20) key-worker housing dwellings at 50% of the market rent were locked in for the economic life of the dwellings (please refer to the Australian Financial Review article dated 25 September 2018 within **Appendix C**).

Led by Minter Ellison, the development of the PRADS mode is being undertaken with ISPT, PwC, Norton Rose Fulbright, TRACT and several local governments in Victoria. It is proposed to be piloted to develop Australia's first carbon-neutral township where the developer includes affordable housing at no cost to the government by sharing some of the value created through a rezoning process as the subsidy for the affordable housing.

- Follow the link to view the video - <https://shapeclarkefield.com.au>

For further detail on the HAA PRADS housing model, please refer to **Appendix C**. Included within the detailed HAA PRADS housing model appendix are letters of support from built environment experts such as Dr Marcus Spiller - *Principal and Partner of SGS Economics*, Margaret Guthrie - *Chairperson of the Public Tenants Association*, Danni Hunter - *Chief Executive Officer of Urban Development Institute of Australia (Victoria)*, and Andrew Cairns - *CEO of the Community Sector Banking*.

To assess the viability and support its implementation of PRADS as an example of a private market affordable rental housing delivery model, a significant body of work has been done on the model by PwC on behalf of the inner city Melbourne councils.

While the PwC assessment was explicitly undertaken to assess particular scenarios put forward by iMap, the PRADS model can create affordable housing by sharing in the uplift created through a rezoning application or density bonuses. The PwC report was released in November 2019 and is attached as **Appendix D**.

The PRADS model has also been referenced by both the Federal and Victorian Parliamentary Inquiries into Homelessness. PRADS was considered an innovative model worth exploring further to increase affordable housing within Australia (for further information, please refer to the highlighted sections within **Appendix E**).

In addition to this, the Victorian Parliamentary Inquiry into homelessness (Final Report dated March 2021) is available from the Victorian parliamentary website. The report refers to both the 'pop-up shelters' (meanwhile use) and the PRADS model which is relevant to this submission. Following the link below for the full report:

- https://www.parliament.vic.gov.au/images/stories/committees/SCLSI/Inquiry_into_Homelessness_in_Victoria/Report/LCLSIC_59-06_Homelessness_in_Vic_Final_report.pdf

HAA recommendations for the delivery of the PRADS model (as an effective, affordable housing model) in NSW

HAA recommends the following practices to deliver an affordable housing model effectively:

1. **The NSW government works with HAA and its relevant corporate partners to explore the scalability of the PRADS model to deliver affordable housing at scale nationally at no cost to the state governments.**

HAA Conclusion on Social and Affordable Housing in Australia

HAA's primary objective is to move the conversation on public, social and affordable housing away from the traditional "housing" discussion towards one which reflects its true economic impact on Australian society.

- We believe that this type of housing should be reclassified as economic infrastructure; just like roads, schools, or hospitals.
- For an Australia that prides itself on values of fairness and equity, the consequences of homelessness have economic impacts, and these impacts need to be recognised, quantified and commercial investment decisions made accordingly.
- Housing All Australians believe the level of homelessness in Australia will continue to increase unless we create a significant upstream supply of non-market rental housing. This issue needs to be done at a scale; otherwise, we leave future generations with an economic and social timebomb.
- Part of the required response must address the available supply of affordable private rental housing at below-market rents to alleviate housing stress's cascading effect and end the cycle of the vulnerable becoming homeless.

To achieve the above outcomes, HAA believes it is essential to establish the business case behind advocating for a significant and at scale investment in more public, social and affordable housing.

One of HAA's four strategic pillars is to commission a study into the *"Long-term costs of not building sufficient social and affordable housing to accommodate all Australians"*. To do so, HAA has engaged SGS Economics to undertake the above study. The following companies from corporate Australia have gracefully agreed to assist in financially supporting the costs of the study:

- *Stockland, ISPT, Frasers, AV Jennings, Plenary, Assemble, APD Projects, Metricon, Simonds, Tract, Minter Ellison, the City of Sydney, Tasmania's Museum of Old and New Art (MONA), the Victorian Planning Authority, Capire, Narrative, the Director of Housing (Victoria), Melbourne and Monash University.*

The social and affordable housing study and its results will be available for public release in late 2021/early 2022. HAA will share its findings and recommendations within the social and affordable housing study with the NSW Government and the public to debate and refer to as part of the housing policy agenda.

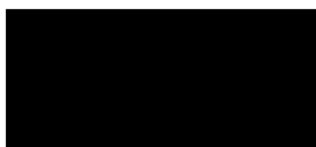
Thank You

In closing, HAA, Tract and NRF believe homelessness needs a whole system response, and part of that response is increasing the supply of social, public and affordable private rentals. This problem cannot be addressed by the government alone. It requires cooperation and collaboration with the private sector. HAA, Robert Pradolin, Tract and NRF, believes in harnessing the skills and capacity of the private sector as a way to collaborate with governments and address the chronic shortage of affordable rental housing.

HAA, Tract and NRF trust that the submission points set out above are of interest to the Committee on Community Services and welcome an opportunity to discuss the above with the NSW Government later as required.

For any additional information or to further discuss any of the above points in detail, please do not hesitate to contact us directly through the contact information below.

Yours sincerely,



Deiter Lim

Managing Director, Tract



Robert Pradolin

Founder and Board Member, Housing All Australians



Appendix A Housing All Australians Strategy

Our big Vision

An Australia where everyone has a stable place to call home - no matter if they're rich or poor.

www.housingallaustralians.org.au



Our single Mission

To harness the ability of the private sector and collaborate to address the chronic shortage of low income affordable housing.

WHO WE ARE

We are a group of private sector individuals and corporates with a shared vision that it is in Australia's long term economic interest to house all Australians, including those on low incomes. Unless we do, we will be leaving a significant burden for future generations, with disastrous economic and social consequences.

We are classified as a Public Benevolent Institution with full tax deductibility benefits.

OUR UNIQUE POSITION

We are private sector group using a commercial lens to help address Australia's chronic shortage of low-income affordable housing.

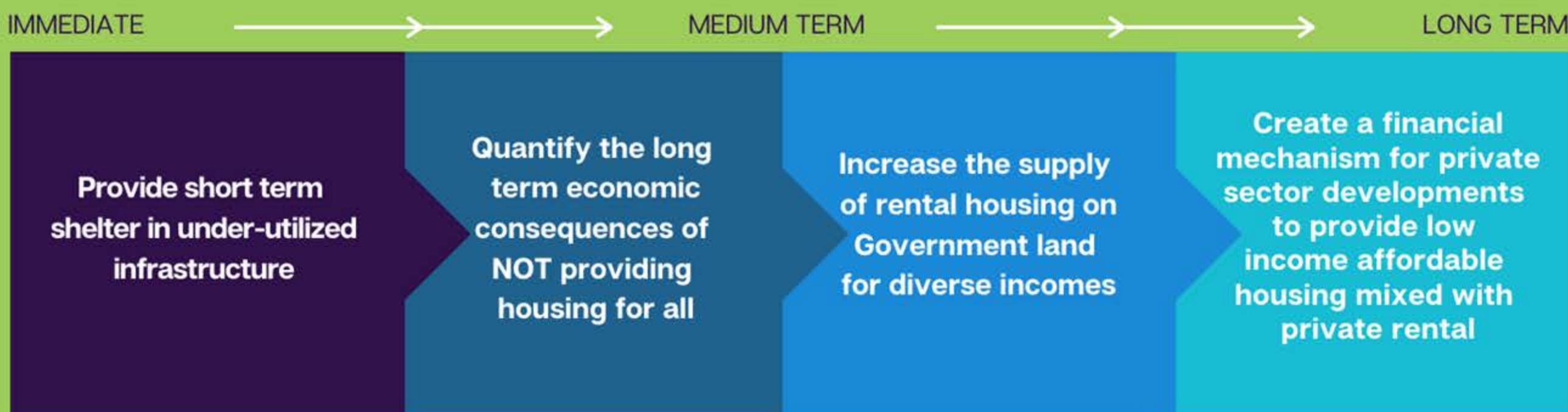
OUR VALUES

- Thinking with an inter-generational perspective
- Delivering long term value to Australian taxpayers
- Bipartisan collaboration.

OUR ROLE

- To harness the goodwill that exists within the private sector to develop strategies, take actions and raise awareness in respect to the fundamental human need for shelter.
- To increase the availability of, and access to, affordable housing for those on low incomes in order to relieve poverty, distress or disadvantage.
- To highlight long term accountability and demonstrate economically based solutions to house all Australians, free from political bias.
- To provide a forum for the sharing of facts, ideas, experience and private sector skills around the creation of affordable housing options throughout Australia.

OUR STRATEGIC PRIORITIES



OUR AMBITIOUS PROJECTS

POP UP SHELTERS

Deliver short term transitional housing in existing buildings that are sitting idle and going through a long redevelopment process.

ECONOMIC STUDY

Undertake an independent national bi-partisan study to demonstrate the long term economic impact for future generations of not providing housing for all.

BUILD TO RENT

Convince super funds to undertake commercial developments on Govt land under a long term lease agreement rather than Govt selling the land to the private market.

AFFORDABLE HOUSING

Create a new instrument to subsidise the incorporation of low income housing into Build-to-Rent housing and apartment developments.

SUCCESS LOOKS LIKE

- A simple and effective short-term solution to combat a critical shortage of transitional housing
- 5 Shelters operating in 2020
- 150 people housed by end 2020
- Acceptance of the concept by support agencies

- We've demonstrated the economic benefits of acting today and saving costs tomorrow
- Study outcomes are accepted as 'evidence based'
- Study is utilised to create change across the sector
- Bipartisan approach adopted by all political parties
- Private sector and general public engaged in a national conversation

- Govt retains its strategic assets for the long term benefit of all Australians
- Super funds achieve an acceptable return relative to risk
- Improved social inclusion - a diverse mix of people living under same roof
- A compelling investment model for large financial institutions
- Win an urban renewal bid with a super fund based on a lease model

- Engagement with local government to create a new financial instrument to deliver affordable housing
- Improved social inclusion - a diverse mix of people living under same roof
- Evidence the private sector will adopt and utilise the changes

CASE STUDY

POP UP SHELTER LAKEHOUSE, VIC.

2018 – 2021

“ Council hopes the Lakehouse success story will inspire other councils, community agencies, private organisations and governments to recognise the huge opportunities offered by using temporarily vacant buildings as a rapid response to alleviating homelessness. ”

Bernadene Voss
Former Mayor, City of Port Phillip (2018)



*'It's excellent, I'm happy.
We live like a family here
and help and support each
other during difficult times.'*

Mrs R, resident,
Lakehouse, Melbourne

The Lakehouse is Melbourne's first Pop Up Shelter for women in need of temporary housing (2018)

THE NEED

Women over 50 are the fastest growing group of people experiencing housing instability in Australia – often as a result of pay inequity, little to no superannuation or savings, divorce, domestic and family violence and time taken as unpaid carers. 42% of the women at Lakehouse are survivors of family violence.

Adequate supply of social housing and affordable housing remains an enduring issue across Australia. Currently there are more than 40,000 applicants for social housing, on the Victorian Housing Register alone. (March 2019).

THE SOLUTION

- Utilise and repurpose a vacant aged care facility owned by CaSPA Care in South Melbourne, Vic, to provide short-term crisis or transitional accommodation for up to 30 women at a time, while the building awaits redevelopment approval.
- Private sector and Local Gov't donate professional services and goods for set-up, site preparation, building works, garden, fit out and furnishings. (\$300k estimated value)
- YWCA Housing becomes the lessee and tenancy provider. It also supports those being housed and connects them to additional community services.
- Additional project funds secured from State Government (DHHS) and Lord Mayor's Charitable Foundation for support staff for the women.
- YWCA is charged \$1 a year for use of the property. Building outgoings are recovered via below market rent paid by the women as sub-tenants.

EXIT STRATEGY

- A detailed strategy for the closure of the Pop Up is part of the original lease agreement. All those housed are to be transitioned by YWCA into public or community housing, private rental or supported to return to family or friends.
- The furniture and chattels will be redeployed to other housing projects to support more women.

OUTCOMES

2 years after opening



* Women housed July 2018 – June 2021

Of the women housed:

38% Secured public or community housing

9% Secured Private Rentals

24% Reconnected and moved in with family/friends/partner

4% Moved interstate or overseas

9 months
Average length of stay

- Gardenhouse, in Melbourne's east opens in 2021 to house 6 women.
- CaSPA agrees to extend lease and expand the number of bedrooms ensuring many more women will be housed.
- YWCA has seen an increase in new donations of goods and services for its other properties supporting women.
- Housing All Australians attracts significant interest from media, the private sector and government – Awarded a City of Sydney, Alternative Housing Ideas Challenge.

COST

ITEM

Building Rent – p.a. (peppercorn)
Case Worker part time x 2 years
YWCA Tenancy Worker and costs
Outgoings – Insurance, power etc

PRICE

\$ 1
\$ 74,000
\$ 60,000
recovered
via tenant rent

PRO BONO VALUE

Donated goods & services. \$ 300,000
Project planning, lease & tender.
Site prep, cleaning, garden, fit out,
electrical, plumbing, painting and
cabinetry. Beds, couches,
furnishings. Bedding, towels,
toiletries, utensils. Whitegoods:
fridge, ovens, washing machines.

CONTACT US

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HOUSING ALL AUSTRALIANS

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CASE STUDY

POP UP SHELTER LAKEHOUSE, VIC.

“ There's hundreds of vacant buildings waiting for redevelopment. It's another form of society's wastage while people are sleeping on our streets, on couches or in cars. It's not a long term solution. It's a temporary fix to a society in crisis. ”

Rob Pradolin
Founder, Housing All Australians



Newly renovated spaces at the Lakehouse - all provided pro bono by the private sector

BENEFITS FOR THE CONTRIBUTORS



- **CaSPA Care (property owner):** The cohort of older women being supported links directly to our mission. Enhanced social reputation. Raised profile in local community. Saved outgoings on security and insurance. Strengthened stakeholder relationships with local and state government.
- **YWCA Housing:** Ability to deliver more housing for women (our mission). Positive media coverage and invitations to present at key conferences. Won a 2018 Powerhouse Award for Innovation and Leadership. Increased corporate awareness of the issue and engagement with our organisation.
- **Meticon:** As one of Australia's leading home builders we were delighted to be part of this initiative and took immense pride in engaging our suppliers and staff to collaborate to support the proof of concept of this innovative housing solution. The model aligned well with our Alternative Housing business and commitment to nurturing relationships with organisations that have a positive impact in the community.
- **City of Port Phillip:** Tangible evidence of Council affordable housing policy in action. Provides a new and innovative model for local government to reduce street homelessness, achieving rapid results through re-purposing underutilised buildings.
- **Rob Pradolin (HAA):** The model has spurred national interest, with new pop ups underway. It's been instrumental in developing our charity 'Housing All Australians' to harness the ability of the private sector to address a chronic shortage of low income affordable housing.
- **VIC Govt DHHS:** The department is interested in innovation and supportive of collaborations between commercial, government and community sectors.
- **Rotary Albert Park:** We are so proud of this project. Our provision of volunteer support and goods e.g. linen, to those who need it most in our local community is everything Rotary stands for.

KEY LEARNINGS



- 1 **Industry contacts**
Critical role of a person with the contacts and respect of the property and building industry to secure probono goods and services.
- 2 **Project manager & governance**
One person or organisation to be responsible for project management and governance.
- 3 **Funding**
Identify and secure any funding gaps prior to implementation.
- 4 **Goodwill of the private sector and local government**
Without the generous donations of time, goods and services the Pop Up would not have eventuated.
- 5 **The Lease**
12 month lease with 2 x 6 month options to extend at property owner's discretion.
- 6 **Community Housing provider**
Appoint a provider with exceptional track record and expertise in the cohort to be housed. Clarify the tenancy and support services to be provided to those being housed.
- 7 **Property owner & local government**
Develop and maintain an open and trusted relationship with the property owner and local council.
- 8 **Probono inventory**
Record commercial value of goods and services provided.

RISKS & CHALLENGES



- The fact a project like this had never been done before meant there was no precedent.
- The property owner rightly needed to be assured of a) the cohort to be housed b) how the property would be managed and maintained, and c) the exit strategy. - in order not to impact on the building's future development plans. City of Port Phillip played a key role in this when negotiating the lease with the property owner.
- Mitigating any concerns from local residents about the project. This was addressed through community consultation and by housing a low risk cohort of women.
- YWCA Board approval of the project's viable lessee opportunity - financial and social.
- Unforeseen costs and work required to clean up and repair the site after being vacant for so long.
- Effective communication to ensure clarity across the partners - who is doing what, launch event procedures and project governance was a challenge.
- Ensuring a realistic time frame from compliance approvals, signing the lease with property owner, to getting the women into the house.

Appendix C HAA's Permanent Rental Affordability Development Solution (PRADS) Model



Our Single Mission:

To harness the ability of the private sector and collaborate to address the chronic shortage of low income affordable housing

The Permanent Rental Affordability Development Solution

PRADS®

Housing All Australia

Housing All Australians

Housing All Australians (HAA) is a private sector for purpose organisation and registered charity with a single focus on increasing the supply and access, at scale, of affordable housing nationally. It was founded in 2019 by property executive Rob Pradolin. HAA believes it is in Australia's long-term economic interest to provide housing for all its people: rich or poor. Just like the provision of roads, schools and hospitals, safe, affordable and stable housing is a necessity for every Australian to be productive and be able to contribute to society.

HAA's mission is to harness the skills and capacity of the private sector to collaborate with private and public sector industry to address, at scale, the chronic shortage of low-income affordable housing. Housing for all Australians is fundamental economic infrastructure needed to avoid an intergenerational time bomb where the future economic costs of managing the unintended consequences of homelessness, such as mental and physical health, family violence, policing, justice and long-term welfare dependency, will explode.

HAA's definition of Affordable Housing is the provision of housing to those Australians who cannot afford a reasonable cost of housing from their own resources which would give them a modest standard of living in the Australian community.

Historically the discussion about the provision of affordable, social and public housing, has been perceived as a purely social issue championed by charity and not-for-profit organisations. Housing All Australians was established to facilitate a private sector voice and reposition the discussion, through a commercial lens, and advocate that the provision of housing for all Australians, rich or poor, is fundamental economic infrastructure upon which to build a prosperous economy and consequently a prosperous country. There is significant economic and social payback for society in the prevention of the inadvertent consequences arising from the lack of availability of affordable housing.



STRATEGIC CONTEXT

In Australia, there is overwhelming evidence of a housing affordability crisis affecting many of our major and regional cities. The number of households unable to access market provided housing or requiring some form of housing assistance in the private rental market to avoid rental stress is on the rise. The Australian Housing Urban Research Institute publication, 'Modelling housing need in Australia in 2025', estimates current housing need in Australia to be 1.3 million households (just under 14% of households) which is estimated to rise to 1.7 million households by 2025. For New South Wales, this equates to almost 373,000 households, rising to 678,000 by 2025 and in Victoria, housing need is estimated to rise from 291,000 to 462,000 over the eight-year period.

Many jurisdictions are exploring ways to influence supply through increase in social and affordable housing investment. In Victoria, the Victorian Government announced \$2.6 billion of investment to respond to the housing affordability crisis. The suite of initiatives was announced under a State led plan - Homes for Victorians. This plan provided several measures to facilitate outcomes for a range of housing needs ultimately to make homes more affordable and accessible. Some of these outcomes include:

- Helping people to buy their first home;
- Increasing housing supply;
- Creating more stable rental market;
- Upgrading social housing; and
- Improving services for Victorians looking for a home

The plan recognised that the strategy response needs to address many pieces to the puzzle and requires collaboration from local government, developers and builders, investors, real estate agents, owners, tenants and not for profit organisations.

The plan demonstrates that there are many parties involved in the provision of affordable housing and all the levers that can positively affect the supply and increase of affordable housing outcomes is critical. That is, the housing problem is so big that it requires a range of interventions, resources and partnerships to deliver meaningful outcomes.

PRADS was created to be one of the many interventions needed to ensure housing remains affordable for those that need it. Housing All Australians (HAA) recognises that while the public and social housing streams of assistance are well defined and regulated, there are other parts of the housing continuum where the private sector can play a part to address the shortfall in the available supply of affordable rentals. This, in the long term, should reduce the cascading effect that is currently occurring, where demand and housing vulnerability is at risk of rising, especially post Covid19, due to limited supply of affordable rental properties for moderate and low income earners.

The purpose of creating the PRADS model is to maximise the involvement of the private sector in delivering affordable rental housing, by acknowledging and mitigating the risks normally considered part of the development process. Over the medium term, this should result in the delivery of affordable housing becoming part of a developers normal business.

The PRADS model targets a proportion of the households experiencing rental stress that are not currently housed through State provided housing and the registered housing agencies. It in effect is a remodelling of NRAS under a different delivery model and bridges on the recent Victorian Government

amendments to the Planning and Environment Act 1985 with the inclusion of a definition on affordable housing and the affirmation of the Section 173 agreement to negotiate affordable housing outcomes as part of the planning permit.

THE MODEL

Summary

The outcome of this model is the creation of privately owned rental housing, rented at below market rents, to tenants with incomes that satisfy the definition of affordable housing under Section 3AB of the Planning and Environment Act 1987, the “Affordable Housing Income Levels”. This obligation will exist on title for the economic life of the dwelling. The model is deliberately created to assist key workers and its position within the housing continuum is described in Fig 1.

The developer and councils negotiate, in good faith, the number of dwellings and the percentage below market rent for which these dwellings can be rented. In Victoria, this obligation will be secured via a Section 173 Agreement for the economic life of the dwelling.

If there was a nationally legislated governance process similar to NRAS, the developer could then sell the affordable rental dwellings to investors in the private market to “Mum and Dad” investors with the rental encumbrance and an obligation to comply with a legislated governance process. The investor can then rent the dwelling either through a NFP Community Housing Provider or an approved private sector property manager.

As with the start of any new concept, it is not possible to have government legislation in place until, perhaps, the model is well tested and proven. To overcome this, HAA is pursuing a governance structure created through the corporation’s law and being a fundamental requirement of affordable housing fund. Collaborative discussions with Norton Rose Fulbright, Minter Ellison and Corrs (all providing pro bono advice to HAA) suggest this is possible and are working together to provide the basis of a working model.

As an additional level of governance, the proposed model by HAA also includes the creation of an Affordable Rental Housing Register which identifies all affordable rental obligations negotiated by councils. This Register is audited annually to ensure satisfactory compliance with the rental obligation by the private sector owners.

If scaled up for delivery through voluntary planning agreements, the use of the PRADS model has the potential to create a significant supply of long-term affordable private rental housing without the need for any government subsidy. From a governance perspective, it will be based on a similar process that currently exists and is used with managing National Rental Affordability Scheme (NRAS) properties.

This model can work for apartment projects and for housing and land subdivisions.

The model

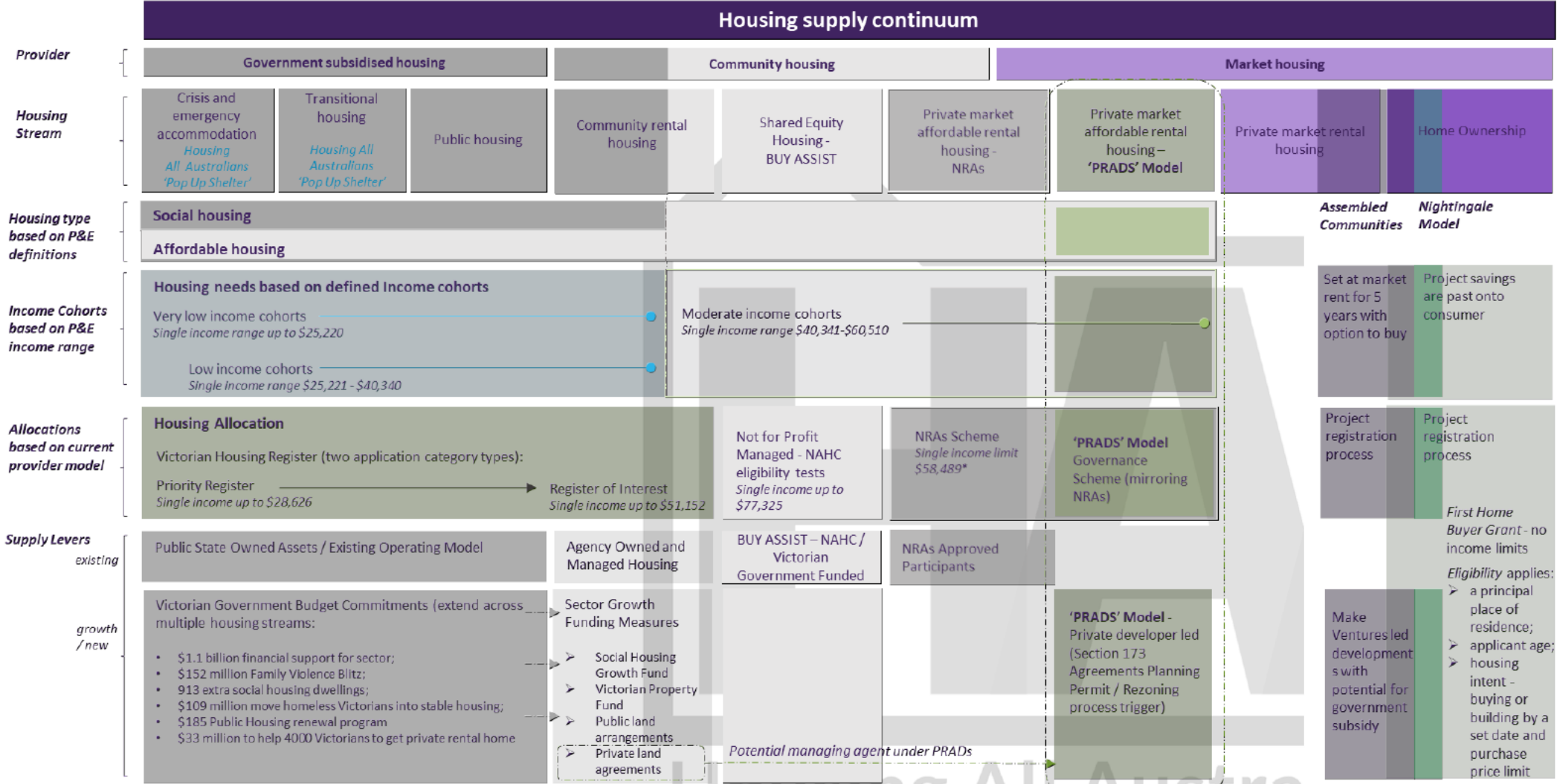
The model is summarised as follows:

- **Affordable dwellings** - a number of affordable dwellings that will be allocated/negotiated to be provided within a development.
- **Affordable rent** - the affordable dwellings are to be leased to households on low to moderate incomes, as defined under the Affordable Housing Income Levels, at 80% of market rents for the economic life of the building. This creates long term affordable private rental housing. This

is purely a rental product. As with student housing, these dwellings will not be available for owner occupation.

- **Discounted rent** - a valuation will be undertaken by an approved valuer to determine the market rent from which the agreed discount can be applied. This rental figure will be conveyed to the private sector property manager and will become the maximum rental which can be charged. The developer can sell the dwelling to the investor market at a lower value reflecting the lifetime encumbrance of the reduced rental agreement. The number of affordable dwellings and the percentage below market rent is a commercial decision for the developer. The number of affordable dwellings is imposed by a planning permit condition. The investor will be paying a lower price for the dwelling and they too will view the investment from a commercial perspective based on the expected rental income and capital growth.
- **Eligible households** - have to meet the income tests for very low, low and moderate incomes as defined under the Affordable Housing Income Levels (as amended from time to time by the Minister for Housing).
- **Management Framework / Process** - this will involve:
 - a) Property management - appointment of a qualified property manager of the investor or developer's choice. This could either be a private sector real estate agency or a community housing provider. The property manager needs to understand and agree to follow specific processes and governance requirements similar to NRAS. The appointment of a private sector property manager will remove the market perception (rightly or wrongly) associated with community housing management.
 - b) Affordable rent levels – the property manager requests from an approved housing provider (a community housing organisation) the maximum rental to be charged for the designated dwellings. This will be based on a sworn valuation of market rent which will then be reduced by the agreed percentage below market rent negotiated with council. A fee for service will be paid to the community housing provider to conduct this process.
 - c) Tenant selection - the property manager reviews each tenancy application based on income selection criteria as defined under Affordable Housing Income Levels and the dwelling is then leased to the tenant.
 - d) Verification - the property manager submits required documentation (incomes and rents) to the community housing provider to verify affordability compliance. The housing provider checks documentation and submits it to the State Government (the relevant department is yet to be determined). This process is currently in place for NRAS. As a further level of compliance, it is recommended that the State conducts annual random audits for all tenancies listed on the Affordable Rental Housing Register to ensure the compliance with the Section 173.
 - e) Affordable Rental Housing Register - the State Government creates an Affordable Rental Housing Register (ARHR) to record all affordable housing units that have been negotiated between councils and developers. The ARHR is important as it records both the commitments made by developers with councils (which still need to be delivered) and the affordable housing actually built and tenanted.

HOUSING SYSTEM RELATIONSHIP DIAGRAM – Housing All Australians: ‘Permanent Rental Affordability Development Solution’ (PRADS)



* Based on one adult 2018/2019 income limits

Housing All Australia

Figure 1

- **Legal mechanism** – In Victoria, a section 173 Agreement is registered on title to lock in affordability. Whilst it has its shortcomings, it is the best instrument currently available in that state to enforce the obligations listed below.

Obligations:

The agreement requires that the dwelling be

- a) Rented and not owner occupied
- b) Rented for no greater than a specified percentage below market rent

Defaults: If the owner/ developer defaults on the affordability provisions in the section 173 Agreement, the following options are available / to be further investigated to enforce the provisions:

Enforcement by VCAT orders in order to require compliance with the obligation of the Agreement- to minimise risk of a successful challenge, the Agreement needs to have clear, comprehensive and watertight provisions that are difficult to successfully challenge at VCAT, to ensure compliance can be enforced.

Financial penalty - a penalty needs to be imposed of a sufficient size to act as a disincentive for dwelling owners to default on the affordability requirement. The legal mechanism for enforcing a penalty is to be investigated.

Resale - if an owner of an affordable housing dwelling wishes to sell, the affordability requirement is automatically transferred to the new owner via the section 173 Agreement, which is declared as an encumbrance on the title in the section 32 Statement.

EQUITY AND FAIRNESS – How all stakeholders can all play a part

To further enhance the market embracing affordable housing, it is important that it be considered “fair” and that all stakeholders are seen to be shouldering some of the burden. We believe that it is important that it passes the “pub test” for equity and fairness in respect to the role accepted by other stakeholders. Let’s explore what this means:

The model has two distinct phases. The first is when the developer agrees with the percentage reduction in rental for the economic life of the dwelling. This is effectively an upfront capital subsidy by the developer as they will be receiving a lower sales price for the dwelling as a result of the encumbrance.

The second phase is when the dwelling is rented by the owner/investor. The investor will consider the investment based on income received, the capital growth expected less costs to be paid. In terms of creating a level playing field when referenced to a traditional residential property investment, the outgoing costs for the encumbered dwelling should be reduced by the % reduction in rental. This would be a fair and equitable outcome and demonstrate that ALL stakeholders accept responsibility for encouraging this housing type. This reduction should be applied to all property outgoings such as owner’s corporation fees, council and water rates, land tax etc.

It is not unreasonable to expect all stakeholders to assume a similar position if they want to encourage the creation of more affordable housing. This burden must be shared and more

importantly, must be perceived to be shared. This will be an objective that will be pursued with the State as the governance structure for the PRADS model is developed.

From the developer's perspective, under the PRADS model, where there is an owner's corporation over the development, the owner's corporation fees for the affordable dwellings should be reduced in line with the percentage discount in rent. Where the PRADS model is used in a land subdivision, unless there is a body corporate involved, there are no owner related fees other than rates and taxes.

BENEFITS OF THIS MODEL

In general, this model has the capacity to engage the private sector in the delivery of affordable housing, at scale, by attracting two players: developers in the delivery of affordable housing and investors in the ownership of affordable housing.

There are eight key benefits of the model:

1. **Increased Affordable Housing supply** – Firstly, it increases the certainty for a developer of negotiating an affordable housing solution with council. Supply is increased as a direct result of a greater number of affordable discounted rental dwellings being able to be made available, compared with the reduced number of “whole” dwellings being ‘gifted’ to a registered Housing Association or Housing Provider (The level of discount rent is negotiable between the developer and council and can vary somewhere between 80% and 50% of market rent. Each one has a different cost to the developer. As a comparison, the ‘cost’ to a developer of 1 gifted “whole” dwelling is effectively the same cost as providing somewhere between 4 - 5 dwellings with a rent restriction of 80% of market rent for its economic life).
2. **Reduced Housing system bottlenecks** - It directly targets the source of the problem (the unaffordable private rental market created by the inability to afford home ownership), providing an alternative to home ownership and reducing demand for social housing created by increased rental stress and homelessness.
3. **Speed** – It has the capacity to establish an agreed, transparent model that addresses the perceived concerns of the private sector and can be negotiated faster than the alternative of gifting units or discounting sales to Housing Associations or Housing Providers. It can also facilitate a level of pre-sales by the developer to smaller ‘mum and dad’ investors to perhaps a new category of property trust. This can accelerate the bank financing for developers. This can result in developers starting to drive affordable housing outcomes.
4. **Multipurpose** - It can equally apply to both apartment projects and land subdivisions. With a land subdivision, the capital subsidy is off the initial land price and therefore the affordable housing can be made in perpetuity rather than for the economic life of the building.
5. **Long Term affordability** -It creates effectively perpetually affordable housing for apartments linked to the economic life of the building and in perpetuity affordable housing for land subdivisions. This avoids the shortcomings associated with other similar models which defer an affordability problem to the future, ie:
 - NRAS, that provided Commonwealth and State subsidies for private affordable rental housing at 20% below market rent for only 10 years, after which these units revert to market rents or can be sold.

- Regulatory agreements in the USA, which are commonly negotiated between municipalities and developers under mandatory Inclusionary Zoning planning provisions. These require developers to maintain affordable rent to designated income cohorts for periods of between 15 and up to 50 years, after which they revert to market prices or can be sold.
6. **Strengthens the current housing provider framework in Victoria** particularly with respect to the social and public housing system and NRAS funded rental arrangements.
 7. **Market perception and management** – having the option to use a private rental manager to manage the rental dwelling allows the developer with a choice in property managers as the use of a community housing manager can be a disincentive to some developers. Rightly or wrongly, the use of a community housing provider creates an additional sales risk for a developer as they would be concerned with the market perception of having social housing within their development. This model also:
 - creates a commercial operating return for a private rental manager managing affordable dwellings for the investors
 - creates a commercial return to the community housing provider or NFP who provides the rental value governance and oversight.
 8. **Broader investor market** - it provides an investment opportunity that may be more attractive to small ‘mum and dad’ investors, due to the lower purchase price commensurate with the discounted rental returns. This seeks to create a new private sector source of investment in affordable housing, in contrast with the challenges of attracting institutional investment (eg. superannuation industry), or social housing, which relies on government and/or philanthropic funding.

BENEFITS TO COUNCILS USING THE PRADS MODEL

Working with progressive local governments, the PRADS model will create the environment to increase private sector investment in the delivery of affordable rental housing, through identifying the incentives that would:

- (a) Attract private developers to enter into voluntary planning agreements;
- (b) Create the opportunity to unlock superfunds to invest, at scale, in affordable housing. The principles underlying the PRADS model apply nationally and by diversifying the location of affordable housing, mitigates a state concentration risk for the superfunds. To maximise the opportunity of superfunds investing in a national affordable housing fund, consistency of the governance structure is critical. In lieu of a legislated governance structure, to provide confidence to local governments that the affordable housing commitments negotiated will be implemented in perpetuity, an affordable housing fund would be created with the governance arrangements established through the corporations’ law. This fund will pre-purchase all affordable dwellings at a price that achieves the required rental yield. The fund would be structured in a manner that the governance regime cannot be altered. This arrangement would unlock the investment by superfunds into affordable housing.

- (b) If legislation is eventually introduced, then a new and larger market for investors in affordable housing would be created. A federal legislated governance structure, like NRAS, would allow the involvement of “Mum and Dad” investor’s into affordable housing would and will accelerate the delivery of affordable housing at scale. Given the rental encumbrance on a property is for the economic life of the dwelling and the fact that it cannot be occupied by the investor, if the % below market rent is high, the sale price of the property would be reduced quite considerably. It is therefore probable that a “Mum and Dad” investor might be able to own an investment property under the PRADS model, but not able to afford to buy a house for their own occupation.

The model’s intended focus is on moderate income households, in contrast with low to very low-income households that are commonly assisted by the provision, by Government, of social housing. Incomes will be defined under in accordance with the Affordable Housing Income Levels (as amended from time to time by the Minister for Housing), and are currently as follows:

Table 1 – Greater Capital City Statistical Area of Melbourne

	Very low income range (annual)	Low income range (annual)	Moderate income range (annual)
Single adult	Up to \$25,220	\$25,221 to \$40,340	\$40,341 to \$60,510
Couple, no dependant	Up to \$37,820	\$37,821 to \$60,520	\$60,521 to \$90,770
Family (with one or two parent) and dependent children	Up to \$52,940	\$52,941 to \$84,720	\$84,721 to \$127,080

ADDITIONAL INCENTIVES TO DRIVE MORE AFFORDABLE HOUSING

Additional incentives can be offered by local governments, through negotiation, to extend the number of affordable housing outcomes.

Additional incentives could include the value benefit of:

- **Incentivised floor area uplift planning controls** - where the floor area can be increased above a specified range and a proportion of the floor area translates into number affordable housing units (percentage fixed through planning controls) as set out under PRADS model via a section 173 agreement.
- **A greater speed for processing a rezoning or development permit approval** - The value benefit of a possible fast-tracked rezoning’s or development approval process for proposals incorporating a component of affordable housing (subject to the provision by the applicant of all information reasonably required by Responsible Authorities for assessment of applications) could be considered.
- **A reduction or waiver of the requirement for car parking spaces** – could be allocated to the affordable housing.
- **Any associated, existing but underutilised tax arrangements** - that could attract investment by ‘mum and dad’ investors (or institutional investment) in the model of discounted rent for the economic life of the building, with or without any financial structure. Investigate

implications for packaging the model and a structure with potentially relevant, existing tax concessions.

FURTHER AREAS TO BE EXPLORED

- **Private tax ruling 2016 - HomeGround Real Estate**

The ruling stated that for the management of private rental flats for investors (with social housing tenants), investors can claim the difference between social housing rent and assessed market rent as a tax offset. Does the tax ruling have broader implications for similar other arrangements, or only if the assets are managed by HomeGround real estate or via organisations acting as a subsidiary to HomeGround Real Estate?

- **Federal change to rules for Managed Investment Trusts**

Grounds for claiming tax concessions became limited only to affordable housing (and commercial property) from 1 June 2018. Affordable Housing created by using the PRADS model may help support the creation of a new investment asset class associated with affordable housing.

- Any other incentives that provide a sufficient saving to a developer to increase the housing outcome.



Auction

Inside

Willow, Vicinity blockchain party p32

Axel Springer loses cool \$80m on Purplebricks p33

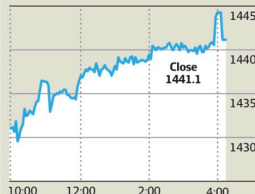
Blackstone buys from Harvard p34

Leasewrap p35

Rural Funds spree p35

Property snapshot

S&P/ASX 200 REITS Monday (pts)



Best	Close (\$)	Change (%)
Abacus Prop Grp	3.47	+2.06
Stockland	4.18	+1.70
SCA Prop Grp	2.44	+1.67
Vicinity Centres	2.70	+1.50
Mirvac Grp	2.44	+1.24
Worst		
Unibail Rodamco Wfltd	14.06	-1.33
Natl Storage REIT	1.685	-0.59
Charter Hall Long W	4.34	-0.23
Charter Hall Grp	7.06	-0.14
Cromwell Prop	1.11	Stdy

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Affordable housing helps green light \$800m project

Nick Lenaghan

A three-tower apartment project with an end value nearing \$800 million in the Melbourne CBD has won government approval after inclusion of a small element of affordable housing.

The affordable housing – just 20 units out of as many as 700 in total – has been welcomed by advocates including industry veteran Robert Pradolin as pointing the way to a broader private sector solution.

"I see this as game changer for the private sector across the country," the former Australand senior executive who now works on affordable housing solutions told *The Australian Financial Review*.

The green light for the Flinders Bank project follows changes to planning legislation making it easier for parties to negotiate agreements to include affordable homes in residential developments.

The three-tower project on Flinders Street, at the old convention centre site overlooking the Yarra River, is the first such agreement since the legislative changes.

The approval also comes amid ongoing community unrest over access to affordable housing, particularly in inner-city areas close to jobs.

Slowing property markets have done little to dampen those concerns. Housing affordability worsened in every state and territory in the June quarter as first home buyers found themselves borrowing larger sums to purchase new dwellings.

The 20 affordable homes, mandated



The Century Group apartment and hotel complex on Melbourne's Spencer Street.

under the approval from Planning Minister Richard Wynne, will be available for people on low and middle incomes at below 50 per cent market rents, for the life of the building, under an agreement by the developer.

"He's using his discretion to approve something that in normal circumstances wouldn't see the light of day, but he sees the value in getting the private sector focused on affordable housing," Mr Pradolin said.

It is to be expected that such units would be sold down to private investors for a lower capital value, reflecting the lower rental income, but

thereby achieving comparable overall returns.

The project is being developed by Century Group Aus, a joint venture between two Chinese developers, China Century Group and Exhibition and Travel Group.

The Flinders Bank project will include a St Regis hotel with 168 rooms, along with as many as 700 apartments.

The developer submitted an amended proposal in March this year, going onmarket and reducing the overall number of apartments after acquiring the site for \$97 million two years ago with approval for 1060 units.

NZ REITs on red alert for cap gains tax

Matthew Cranston

Real estate investment trusts (REITs) in New Zealand would be about \$130 million worse off if that country's Labour government proceeds with the introduction of capital gains taxes, according to a new analysis.

New Zealand's Tax Working Group is due to make recommendations next year on whether the tax should be implemented, but UBS's Jeremy Kincaid and Marcus Curley have run the numbers on the basis that there will be a capital gains tax for companies selling assets.

"We believe the Tax Working Group is leaning towards a system where tax will be due on sale," they said in a note to clients.

"This benefits the REITs as the sector only disposes of about 3 per cent of its asset base per annum."

The analysts noted that in the past nine years the REITs sector has revalued total assets up 19 per cent.

"If we apply these gains to assets disposed of over the period, it implies the sector's tax bill would have been about \$130 million higher."

The number is based on the REITs not having what is called roll-over relief.

Many asset disposals by REITs may be exempt due to roll-over relief, which means that if the proceeds from an asset sale are reinvested into a replacement asset, those gains may not be subject to the capital gains tax.

20 March 2019

Mr. Robert Pradolin
Housing All Australians
13 Fuchsia Lane
Mount Macedon
VIC 3441

Suites 5 and 6, Ground Level, Enterprise I
Innovation Campus, Squires Way
North Wollongong NSW 2500
PO Box 585, Corrimall NSW 2518
1300 CSBANK (1300 272 265)
f. 02 4255 8420
communitysectorbanking.com.au

Dear Rob,

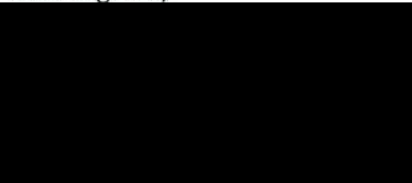
As you are aware, Community Sector Banking (CSB) is the NFP sector specialist within the Bendigo and Adelaide Banking group. CSB's mission is to support and strengthen the NFP sector by the development under a collaborative and partnership based framework. We have a major focus on strengthening the social and affordable housing sector's capability and capacity in providing housing security for those vulnerable in our society.

One of the ways we assist this process is via the development, proof of concept and incubation of innovative housing linked financial models e.g. CHP and developer auspiced shared equity programs, housing property (MIS) trusts and B2R models. CSB does this in association with our NFP partners, Bendigo and Adelaide Bank, private sector, custodians of capital and at all levels of government departments and policy formulators. As a recent example of direct engagement, CSB was very instrumental with the input to the recent DWELP planning amendments to the Vic section 173 agreements on voluntary inclusionary zoning.

Community Sector Banking is pleased to be working with Housing All Australians and the development of your PRADS model. CBS believes the application of this methodology will provide a market driven rental model that encourages both the developer and investor to fund affordable housing in a targeted, scalable and regulated manner. This model differs from NRAS in that, subject to normal regulated responsible lending guidelines, the model will not require government capital grants or subsidised rental support and it will lock in the below market rent for the economic life of the building. We believe this to be a game changer for the private sector in the delivery of affordable housing. The sector has long been looking for an integrated approach (private and public) to affordable housing options which can be delivered without reliance on subsidised financial support. Under the PRADS model government involvement is limited to policy lever support.

CBS is highly supportive of Housing All Australians and its objectives in driving the implementation of the PRADS model. We look forward to leading the banking sector to support investors that invest in affordable housing for life.

Kind Regards,



Andrew Cairns
Chief Executive Officer
Community Sector Banking

Community Sector Banking ABN 88 098 858 765 (Australian Financial Services authorised representative No. 265317 and Australian Credit authorised representative No. 379667) is a franchisee of Bendigo and Adelaide Bank Limited ABN 11 068 049 178, AFSL and Australian Credit Licence No. 237879 and is a wholly owned subsidiary of Community Sector Enterprises Pty Ltd ABN 95 098 858 354. Community Sector Enterprises is a 50/50 joint venture between Bendigo and Adelaide Bank and Community 21 Limited ABN 79 097 612 416. Banking products are products of Bendigo and Adelaide Bank. BEN30CSBLH04 (A428811) (09/17)

28 March 2019

Robert Pradolin

By email: [REDACTED]

Dear Robert

Letter of Support from the Urban Development Institute of Australia (UDIA) Victorian Division for Housing all Australians

The Urban Development Institute of Australia (UDIA) is a non-profit advocacy, research and educational organisation supported by a membership of land use and residential property development organisations, across the private sector and Victoria's public service.

The UDIA is dedicated to serving Victorian home buyers by delivering diverse housing products and enough supply to meet demand, which leads to affordable and accessible housing, and accomplishing its mission through the actions taken by its members. We are committed to working with industry and government to deliver housing for all Victorians. However, with the ongoing issues the industry faces around the timely supply of housing to the market, housing affordability has been and remains a major challenge.

Despite record low interest rates, government incentives like NRAS and a once-in-a-generation capital injection of \$5.2 billion under the Nation Building Program, the supply and cost of housing is one of our biggest challenges. Housing remains out of reach for too many Australians. For this reason, the UDIA commends and supports you for launching Housing all Australians, which provides an opportunity for the private sector to advocate for the long-term interest of Australian society.

UDIA Victoria considers affordable housing to be critical economic infrastructure that is essential to Victoria's productivity and liveability. To meet the supply challenge, partnership and co-investment opportunities must be supported by significant investment by all levels of government.

In the current Victorian planning context, there must be a commercially viable way to maximise the number of affordable housing units delivered through voluntary agreement over the short term, and for the upfront private cost to be recognised and leveraged, with opportunities for co-investment by government. Responsibility should be shared across the life of an affordable housing product, through a reduction in property charges. It is the role of government to provide the regulatory, policy and funding and investment frameworks to enable and incentivise the residential development industry to co-invest, in a scalable and equitable manner. In our view, the Permanent Rental Affordability Development Solution (PRADS) advocated by Housing All Australians provides a model for the achievement of this objective.

Initiatives such as those promoted by Housing All Australians have the potential to assist both industry and government by ensuring that those charged with managing the strategic planning outcomes of the future are equipped with the ideas and skills to develop a feasible, practical and deliverable policy framework for industry to operate within.

UDIA Victoria looks forward to supporting Housing all Australians in its endeavours to foster the collaboration necessary to address the chronic national shortage of social and affordable housing.

Yours sincerely

[REDACTED]

Danni Hunter
Chief Executive Officer
Urban Development Institute of Australia (Victoria)

[REDACTED]

Victorian Public Tenants Association

11 High Street, Northcote
PO Box 217 Clifton Hill VIC 3068
Phone 1800 015 510
Email enquiries@vpta.org.au
www.vpta.org.au

02 April 2019

Mr. Robert Pradolin
Housing All Australians
13 Fuchsia Lane
Mount Macedon VIC 3441

Dear Rob

As you are aware, the Victorian Public Tenants Association (VPTA) is a not-for-profit organisation recognised as the peak body representing public housing tenants in Victoria. We offer counselling, advice, referral, representation and advocacy for public housing tenants and those on the wait list.

In the last twenty years, Victoria's population has increased by 1.46 million; however, in that same period our public housing stock has only grown by 89 properties. Simultaneously, the proportion of affordable rental properties has declined and homelessness rates have risen.

We are desperate to see greater investment in affordable housing for the hundreds of thousands of Victorians struggling to keep a roof over their head and waiting endlessly for public housing. We deal with these individuals and families every day and advocate for solutions on their behalf to all levels of government.

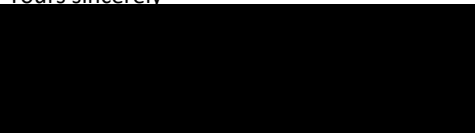
The VPTA is pleased to support [Housing All Australians](#) and the development of your PRADS model. We believe, if implemented, this methodology will help address the broader housing crisis our state is currently facing by taking the pressure off the public housing wait list and creating a viable build-to-rent sector at-scale.

The model differs from the initial National Rental Affordability Scheme (NRAS) as it does not require government capital grants or subsidised rent and will lock in affordable rentals for the economic life of the building. This will help alleviate both the pressure on the public housing system and broader rental market that currently has almost no affordable options.

Engaging the private sector more substantially in this scheme will reduce the reliance on subsidised financial support and ideally lead to the building of affordable homes at-scale faster. The model will require support from all levels of government to facilitate faster adoption, particularly in the fast-tracking of planning permits. It would be greatly assisted by mechanisms such as inclusionary zoning and reduced red tape.

We commend you on your untiring efforts to create a workable, integrated approach to address our housing crisis and assist the 25,000 Victorians who experience homelessness on any given night. The VPTA will do whatever we can to assist this worthwhile initiative to progress.

Yours sincerely



Margaret Guthrie

Chairperson - Victorian Public Tenants Association

5 April 2019

To whom it may concern

PERMANENT RENTAL AFFORDABILITY DEVELOPMENT SOLUTION (PRADS)

SGS has examined the PRADS model and we endorse it as a welcome and innovative way of sharing the value created through development approvals.

The great strength of the PRADS model is that it minimises transaction and negotiation costs for the development proponent. It can mobilise a broad spectrum of private investment capital to meet the substantive cost of providing the affordable housing. The proposal to set up a central register of PRADS agreements will not only facilitate monitoring and enforcement, it will help diffuse innovations in affordable housing practice.

SGS advocates for affordable housing requirements of developers to be clearly expressed and announced well in advance so that proponents can factor these obligations into their feasibility studies. Ideally, the discounted present value of these obligations should be readily discoverable by the proponent well in advance of site purchase. The PRADS model could complement a range of other mechanisms by which this \$ value may be delivered to the community, including 'gifting' of social housing units, or transfers at discounted prices. PRADS is inherently flexible for all parties negotiating how affordable housing will be delivered and is therefore an efficient option.

Sincerely,



Dr Marcus Spiller
Principal and Partner Convenor, SGS
Adjunct Professor RMIT University
Adjunct Professor UNSW
Associate Professor University of Melbourne

SGS Economics & Planning Pty Ltd
Offices in Canberra, Hobart, Melbourne and Sydney
Phone: 03 8616 0331

Appendix D

PwC Analysis of the PRADS Model (2019)

PwC Analysis of the PRADS Model

*As an example of a Private Market Affordable Rental Housing
Delivery Model*

Inner Melbourne Action Plan

November 2019

Disclaimer

This Report was produced for the Inner Melbourne Action Plan “(IMAP)” Councils, defined as the Cities of Melbourne, Port Phillip, Stonnington, Yarra and Maribyrnong.

We prepared this Report solely for IMAP’s use and benefit in accordance with, and for the purpose set out in, our engagement letter with the City of Port Phillip (on behalf of IMAP) dated 14 May 2019 and Section 1 of our Report. In doing so, we acted exclusively for IMAP and considered no-one else’s interests or individual needs.

We accept no responsibility, duty or liability:

- to anyone other than IMAP in connection with this Report
- to IMAP for the consequences of using or relying on our Report for a purpose other than that referred to.

We make no representation concerning the appropriateness of this Report for anyone other than IMAP. If anyone other than IMAP chooses to use or rely on it they do so at their own risk.

The analysis in this Report does not constitute financial advice and is not representative of any individual project or market segment.

This disclaimer applies:

- to the maximum extent permitted by law and, without limitation, to liability arising in negligence or under statute; and
- even if we consent to anyone other than IMAP receiving or using this report.

Liability is limited by a scheme approved under the Professional Standards legislation.

Executive summary

Housing affordability has become an ever-increasing problem across Australia, both from the perspectives of home ownership and affordable rental. This has become relevant for local government (“Council”) due to changes in the Victorian Planning and Environment Act 1987 which includes a new objective “to facilitate the provision of affordable housing in Victoria”, as well as the social and moral value of creating diverse communities. Councils are now exploring how to create mechanisms that provide affordable housing options within their municipalities. One way that this can be supported is by reducing the cost of delivery of new housing, and, in turn, enforcing that these cost savings are passed on to the tenant as affordable housing. A collaborative partnership was formed between the IMAP Councils - Melbourne, Port Phillip, Stonnington, Yarra and Maribyrnong to strengthen the liveability, attractiveness and prosperity of the inner Melbourne region. These Councils have identified the need to have a proactive response to affordable housing. As a result, IMAP collectively agreed to engage PwC to investigate the Permanent Rental Affordability Development Solutions developed by Housing All Australians (“PRADS Model” or “PRADS” or “the Model”) as one response to Melbourne’s current housing affordability crisis.

The intent of the PRADS Model, as quoted in a Housing All Australians (“HAA”) report, *“is to deliver affordable housing through a mechanism which does not require government subsidy but merely uses local government to facilitate the delivery of affordable dwellings through voluntary planning mechanisms. These mechanisms will not be dependent on government and therefore will ensure continued supply.”*

The PRADS Model, in its broader context being developed by HAA, is also looking at a range of incentives beyond the scope of the IMAP project, such as rezoning and capturing value uplift under discretionary planning controls. Rezoning and value uplift incentives are beyond the scope of this Project, but this does not preclude IMAP Councils from considering them in tandem when opportunities arise. PwC’s investigation involved a qualitative and quantitative analysis of the key incentives (“incentives” or “mechanisms”) that facilitate the delivery of the PRADS Model, through two (2) hypothetical apartment development scenarios located in Windsor and Fishermans Bend. Below highlights the key findings from our analysis:

- **Timing (fast-track planning approval process)** – This incentive demonstrated the most substantial financial impact on the delivery of PRADS units. However, the key consideration for the application of this incentive is the practicality of implementing a process whereby town planning decisions will be granted within 3 months of submission. We note that this 3 month period is for Council decision making, only, and not for any potential VCAT appeal process. To be effective as an incentive, each Council would need to consider whether it wishes to abolish third party appeal rights. Our analysis has also demonstrated that both the developer and local government will need to implement robust processes and design mechanisms to minimise the risk of poor planning and decision making.
- **Car parking dispensation** – The quantitative analysis suggests this incentive does not provide a large financial impact for the developer. However, we acknowledge that on sites with stacked car parking requirements, like the Fishermans Bend area, this mechanism may allow for the reduction in car parking density to be replaced with residential apartments, without exceeding the density limit of the site. This topped-up residential component has the ability to produce an uplift in revenue from sales, therefore acting as a supplementary incentive to car parking dispensation. Conversely, another key consideration in the implementation of this incentive is the impact on the project’s marketability for the developer. If car parking is not provided, there may be a financial impact resulting from reduced sale prices and/or extended sales periods, thereby impacting project feasibility.
- **Council rates exemption** – The key consideration for council rates exemption is that it does not offer significant leverage as a cost saving for developers to deliver affordable housing for both small-scale and large-scale sites. It is important to note, that while this incentive may not work for the private sector, such as for the PRADS model, it plays an important role in the community housing sector as a supportive financial mechanism for their business operating model. We understand that it is at the discretion of local councils in determining if they apply rates exemptions to community housing organisations.

- **Taxation incentives** – Taxation incentives may be available to retail investors or institutional investors to stimulate their investment in the PRADS Model. Within our scope of work, IMAP has asked us to provide specific commentary on the application of the HomeGround Private Tax Ruling and, more broadly, Managed Investment Trusts (“MITs”). We do not see application for the HomeGround Private Tax Ruling to the PRADS Model and, whilst we acknowledge the intent of the MIT changes introduced by the Federal Government to stimulate the production of affordable housing, we have to date not seen a material increase in affordable housing supply by large local property investors/fund managers or overseas investors.

We conclude that, from a theoretical perspective, the PRADS Model has appeal. Based upon our understanding and review of the Model, it is the practical implementation of the Model (not unlike the implementation of any new Model) that presents matters that may require further investigation and consideration by stakeholders. We detail these implementation considerations below.

- **Role of local government**

- Local government will need to have streamlined planning processes in place to facilitate the effective fast tracking of PRADS town planning applications, noting that our quantitative analysis indicated that the strongest housing outcomes are likely to be driven, principally, by the compression in the planning timeframe and additional certainty that developers can, in turn, “rely” on. This may require dedicated resources and defined procedures being established within local government to ensure that approval timeframes are met whilst ensuring that “quality” of decision making and development and urban design outcomes are not compromised as a consequence of compressed timeframes. We note the private sector stakeholder feedback and scepticism about the ability of the planning system and local government to work within compressed timeframes.
- Local government will need to develop a framework by which it “negotiates” with developers/applicants. This process will need to be transparent, well understood, very easy to implement and have the necessary safeguards to ensure that negotiations are not structured to derive gamed outcomes. This is a critical consideration for local government. For example, on what basis will local government negotiate and how will it know it is getting a fair deal?
- Local governments should invest to further understand their tenant demand profiles and the depth of the required subsidy/ies within their respective municipalities.
- Local government should consider the legislative and/or other approval frameworks that may be required to enable rate relief. We note that our quantitative analysis has shown that the application of local government rate relief provides minimal impact in terms of the supply of affordable housing stock.

- **Branding and promotion of PRADS Model**

The internal and external branding and promotion of the PRADS Model needs to be carefully positioned and understood by all stakeholders. Certainty of timing, outcome and risk profile will vary for each stakeholder and be fundamental to the success of PRADS. For example, developers will require certainty of timing, the retail property investor market may need educating and, frustratingly, delineation between social and affordable housing may need to be reinforced. External financiers will require a detailed understanding of the risk profile of a PRADS housing product and the application of the restriction placed on title.

- **Retail investor market**

- In theory, the investment in a PRADS housing product should generate the same investment yield for the same investment housing product without PRADS. We speculate that the, on balance, lower level of equity required to fund the purchase price of an investment property may broaden the depth and appetite from the retail investor market. However, the marketing and promotion of the PRADS Model to the retail investment market will require careful positioning.
- Consistent with the point above, it is unclear what additional impact, if any, the application of a restriction on title (for the effective life of the property) may have on the underlying value of the property; for example, would a hypothetical purchaser seek an additional purchase price discount because of the title encumbrance? PRADS would represent a “new” variant on the residential

property investment class which is untested. We note that the NRAS obligation applies for a period of only 10 years, at which point the property becomes unencumbered. We suggest that a level of investor sounding be undertaken to better understand how retail investors may respond to the PRADS structure.

- Unlike NRAS, the PRADS product does not provide a refundable tax off set for investors. There is no taxation incentive inherent in the Model which is intended to enhance investment returns. We understand that the private tax ruling obtained by HomeGround Real Estate allows the landlord/owner to claim a tax deduction for the rental shortfall (between market and actual). We don't see the direct application of this ruling for PRADS, as the tax deduction applied relates to owners with properties that are valued on an "unencumbered basis" (i.e. full market value) – a PRADS housing product proposes a discounted rental as a function of a discounted capital value.

- **Institutional investor market**

- The NRAS model failed to garner institutional (superannuation, listed and unlisted funds) appetite for residential investment product. There were a wide number of reasons for this including (but not restricted to): lack of understanding relating to the historical performance of the residential sector (and apportionment of income and capital returns), the dilution of portfolio investment returns (residential attracting lower yields relative to other asset classes), the inability to secure scale and the perceived risks associated with property management, asset management and brand damage should tenants default and be evicted.

In more recent times, we are seeing a much greater appreciation of the residential sector as an institutional asset class, with investor interest increasingly given the compression in yields across traditional asset classes and the emergence of the build to rent sector in Australia. Notwithstanding this, we suspect that without scale, institutional appetite and investment, in the short term, may be limited. We acknowledge the existence of MITs and other recent changes by the Federal Government to stimulate the provision of affordable housing, however, to date, we have not seen material uplift in the provision of affordable housing through the MIT platform. This, therefore, may leave the PRADS Model as a principally retail or "mum and dad" style of investment.

- Detailed market sounding to establish the investment appetite of retail (and institutional investors) is regarded as a prudent next step should stakeholders wish to move forward with the PRADS Model into an implementation phase.

- **Scalability of PRADS**

- Our quantitative analysis (using the Fishermans Bend project example) illustrates that, theoretically, a total of 27 PRADS dwellings (out of a total project of 277 dwellings) could be provided at 80% of market rent, whilst keeping the developer financially neutral. Note, this was achieved by compressing an assumed 2-year planning allowance into 3 months. The achievability of this will be clearly a function of local government approval frameworks. It is also pertinent to highlight that should the approval timeframe be extended to, say, 6 or 12 months this would reduce the achievable affordable housing yield. Similarly, this analysis was prepared assuming the developer is willing to effectively pass over 100% of any "gain" as affordable housing. It is not unreasonable to think that the developer may need to be further incentivised to participate in PRADS. We note within our analysis that additional modelling was undertaken to show the impact of a greater rental subsidy at 60% and 50% of market rent, and this is detailed further within the Report.
- We believe the PRADS Model is capable of providing scale. Our analysis has shown that on smaller sized projects the impact of incentive application is minimal, however, for larger scale projects it could be material. For example, in a larger urban regeneration precinct and via rudimentary extrapolation of our analysis, within an overall development yield of, say, 5,000 dwellings, we believe it may be possible to secure between 400-600 dwellings (at 80% of market rental and leveraging the incentives considered). At 50% and 60% of market rent we expect a total outcome of between 150-200 dwellings could be provided. The resolution of the implementation challenges (detailed herein) would be key factors to achieving these outcomes.

We would strongly encourage the City of Port Phillip, City of Melbourne and the State government, in particular, to undertake further analysis to consider the application of PRADS for regeneration areas such as Fishermans Bend.

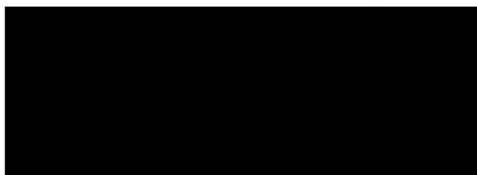
- **Governance processes and outcomes**

- We concur with the general governance processes and outcomes proposed within the PRADS Model.
- The PRADS Model contemplates the creation of an Affordable Rental Housing Register by the State government which identifies all affordable rental obligations and is randomly audited annually to ensure satisfactory compliance with the rental condition. We agree with this approach, however, we anticipate that considerable dialogue will be required with the State government relating to the model's implementation. A key concern we have relates to the enforceability of PRADS - put simply, what is the consequence for a private sector owner if they don't adhere to their below market rental obligations? For example, should a Section 173 Agreement be used as the legal instrument to enforce PRADS? in a practical sense, what are the legal consequences for non-compliance of PRADS?

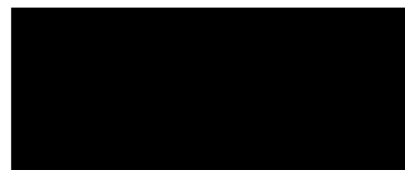
- **Property management**

- We note that the PRADS Model contemplates the appointment of a qualified property manager which could either be a private sector real estate agency, or a community housing association or provider. We expect that ultimately this decision will rest with the developer, initially, and then the investor, with the selection decision being based on matters such as perceived competence, pricing etc. We do, however, regrettably recognise that there remains a general level of confusion and misunderstanding in the market about the difference between social and affordable housing and, similarly, between different tenant cohorts managed by community housing associations. This may need to be further considered and dispelled in the marketing and brand promotion of PRADS, together with building an appreciation of whether the nature of the tenancy manager gives rise to adverse pricing or investment decisions.

The PRADS Model is an innovative approach to addressing the supply of affordable housing. We remain supportive of the Model and believe that it is capable of being scalable within the market and, by consequence, would improve the lives of many Melbournians. The principal challenge for the Model is traversing the line from theory to practice and hence the implementation challenges we foresee should be very carefully considered and worked through with all relevant stakeholders.



Ross Hamilton
Partner



George Housakos
Director



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1 Introduction

1.1 Purpose

The City of Port Phillip, on behalf of the Inner Melbourne Action Plan (“IMAP”) Councils, engaged PricewaterhouseCoopers (“PwC”) to investigate a private sector affordable rental housing delivery model, based on the Permanent Rental Affordability Development Solutions (“PRADS Model” or “PRADS” or “the Model”). The purpose of this Report is to:

- a) investigate a broad range of planning and financial incentives, as instructed by IMAP, which could be used in negotiating Voluntary Planning Agreements between IMAP Councils and the private sector; and
- b) observe the implementation of these incentives through the application of the PRADS Model. The Model constitutes a “negotiation between the developer and local government around the number of dwellings and the percentage below market rent for which these dwellings could be rented. It is intended that this obligation would be secured on title via a Section 173 Agreement” under the Victorian Planning and Environment Act 1987.¹ Our analysis is based on information provided by IMAP on the background of the PRADS Model.

1.2 Engagement overview

A collaborative partnership was formed between the IMAP Councils - Melbourne, Port Phillip, Stonnington, Yarra and Maribyrnong to strengthen liveability, attraction and prosperity of the inner Melbourne region. As a result, IMAP collectively agreed to engage PwC to investigate PRADS as one response to Melbourne’s current housing affordability crisis. This Report is intended to provide clarity on the purpose of the PRADS Model in enabling the private sector to facilitate the delivery of affordable housing through planning mechanisms controlled by local government. In conducting this study, PwC has qualitatively and quantitatively analysed the incentives attached to the PRADS Model through two (2) hypothetical apartment development scenarios, as agreed with IMAP, located in Windsor and Fishermans Bend. These incentives include:

- Timing – fast-track planning approval process (qualitative and quantitative analysis);
- Car parking dispensation (qualitative and quantitative analysis);
- Council rates exemption (qualitative and quantitative analysis); and
- Taxation considerations (qualitative analysis).

In addition, we have provided high level commentary around the governance and implementation mechanisms associated with PRADS.

¹ Content sourced from Housing All Australians Report, (12 June 2019).

1.3 Housing affordability context

The housing affordability problem has broadened and deepened over the last 10 – 20 years in the Inner Melbourne Region. This has resulted in a larger spectrum of people affected by a lack of housing affordability and rental stress, ranging from the very low, low and moderate income households. As a result, many households are now locked out of home ownership and are forced to remain permanently in private rental housing.

The dynamics that are emerging include:

- The increasing gap between social housing and private market rents which has resulted in greater rental stress for low income households; and
- The resulting interest in affordable housing products that target a broader spectrum of housing need, including moderate income households.

Broader government interventions to address the changing dynamics of housing affordability include:

- Local governments being tasked with greater responsibility to respond to housing affordability in a positive way;
- State government implementing housing strategies such as 'Homes for Victorians' and the refresh of 'Plan Melbourne', which includes committing money to targeted programs to address homelessness and to increase the supply of social and affordable housing; and
- Federal government policy and affordability packages targeting low to moderate income earners.

The deteriorating housing affordability situation in Melbourne sparked interest from the IMAP Councils, collectively, to investigate a range of strategies and initiatives to increase affordable housing supply. Fundamental to the ability to respond to the affordability crisis is the aligned partnership between the private and public sectors, as well as not for profits. In responding to these affordability challenges, an initiative the IMAP Councils are investigating through PRADS is the multiplicity of planning and financial mechanisms to facilitate an increase in affordable housing and to enhance Melbourne's and Victoria's housing affordability, in general.

A greater need for affordable housing products across the housing continuum is necessary, in particular those targeting moderate income households and key workers. Examples of these existing products/housing models include (but are not restricted to):

- Rent to Buy;
- Shared Equity Housing; and
- Community Land Trusts.

IMAP has concluded that without a greater level of supply provided by private affordable housing products, social and economic problems will increase, resulting in:

- Greater social polarisation: between social housing (very low and low income) and market rate private housing (upper moderate – high income);
- Limited housing choice for moderate income households and key workers, and households moving up or down the housing spectrum as their circumstances and life cycles change, creating bottlenecks in the housing system;
- Economic inefficiencies for regions that have unaffordable housing and which rely on key workers (and low income wage earners) who need to travel long distances to work; and
- Increasing demand for social housing from households unable to sustain private rents and which are, at risk of ultimately, moving into housing poverty.

1.4 PwC's commitment

PwC Australia has a large focus on homelessness and testament to this commitment is The Constellation Project. The four founding members of The Constellation Project: Australian Red Cross, Centre for Social Impact, Mission Australia and PwC Australia, are harnessing their respective skills, resources and networks to drive change in addressing homelessness in Australia. By harnessing our collective intelligence and activating our networks, we will turn information into action and make headway on our ambitious vision to end homelessness in a generation.

The PwC Real Estate Advisory team has also made its own commitment to dedicate a material portion of our business efforts towards housing affordability, recognising it is a long term structural problem in the property market. Our team comprises subject matter experts and we understand that the affordability crisis now impacts the spectrum of very low, low and moderate income earning households. We have tackled various issues through working with government, private sector and not-for-profits. We work with government to develop policy, with the private sector to improve strategy, supply and to develop delivery models, and with NFPs on advocacy issues, supply and strategy. Beyond our commercial activities, we see the value in providing pro-bono work to the sector.

A more detailed overview of The Constellation Project and the nature of the work that PwC is undertaking in an effort to tackle homelessness is included as Appendix A to this Report.

2 Outline of PRADS Model

The following outline of the PRADS Model has been based on the HAA report provided to us and included as Appendix B to this Report.

“The intent of the PRADS Model is to deliver affordable housing through a mechanism which does not require government subsidy but merely uses local government to facilitate the delivery of affordable dwellings through voluntary planning mechanisms. These mechanisms will not be dependent on government and therefore will ensure continued supply.

The effect of this Model is the creation of privately owned rental housing, rented at below market rents to tenants with incomes that satisfy the definition of affordable housing under Section 3AB of the Planning and Environment Act 1987, the “Affordable Housing Income Levels”. This obligation will exist on title for the economic life of the dwelling. The Model is deliberately created to assist key workers and is positioned within the housing continuum.

The developer and Councils negotiate the number of dwellings and the percentage below market rent for which these dwellings can be rented. This obligation will be secured via a Section 173 Agreement (under the Victorian Planning and Environment Act 1987). The developer will sell these dwellings to investors in the private market with the rental encumbrance and an obligation to comply with an appropriate governance process. Through an approved private sector property manager, the private investor then rents the dwelling to an approved tenant that is means tested through verification mechanisms.

As an additional level of governance, PRADS proposes to include the creation of an Affordable Rental Housing Register by the State which identifies all affordable rental obligations and is randomly audited annually to ensure satisfactory compliance with the rental condition.

This Model, if scaled up for delivery through a variety of voluntary planning agreements, has the potential to create a significant supply of long-term affordable private rental housing at a faster rate, compared with negotiating developer contributions for community housing, which require a greater ‘subsidy’ per unit. From a governance perspective, this Model was based on a similar process that existed up until recently and was intended to use a similar management style as the National Rental Affordability Scheme (NRAS) properties. If implemented, IMAP should investigate existing similar processes to ensure these dwellings are operated appropriately.”

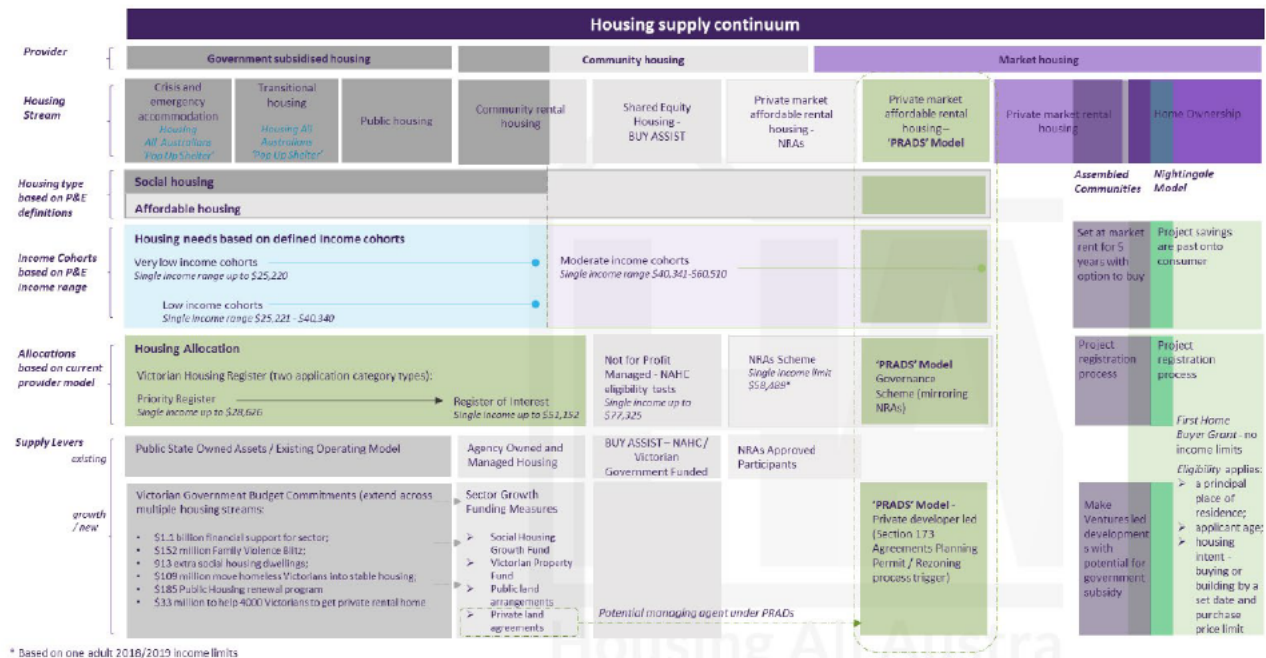
More detail on the PRADS Model is provided in Appendix B.²

² Content sourced from Housing All Australians Report, (12 June 2019).

2.1 PRADS and the housing continuum

The HAA report outlines the relationship between PRADS and the housing supply continuum. Figure 1 illustrates the housing continuum and where PRADS would potentially deliver the greatest impact.

Figure 1: PRADS relationship with the housing supply continuum



Note: This diagram is sourced from the Housing All Australians Report, (12 June 2019).

2.2 PRADS tenancy targets and incentives

An important consideration for PRADS, and the provision of affordable housing in general, is the existence of key workers who fall within a specific income threshold. Broadly defined, they can be employees of the public and private sectors that provide an essential service to the community and are typically associated with lower to moderate incomes. The PRADS Model aims to target those who fall within the moderate annual income range (see Figure 2) to occupy the affordable dwellings.

Figure 2: Income thresholds for Greater Capital City Statistical Area of Melbourne

	Very low income range (annual)	Low income range (annual)	Moderate income range (annual)
Single adult	Up to \$25,220	\$25,221 to \$40,340	\$40,341 to \$60,510
Couple, no dependant	Up to \$37,820	\$37,821 to \$60,520	\$60,521 to \$90,770
Family (with one or two parent) and dependent children	Up to \$52,940	\$52,941 to \$84,720	\$84,721 to \$127,080

Note: This diagram is sourced from the Housing All Australians Report, (12 June 2019).

The PRADS Model seeks to target moderate income earners, in which housing in well serviced areas, within close proximity to their place of work is often inaccessible. PRADS would enable these moderate income earners to access housing in well-connected locations, additionally creating greater diversity within these communities. The discounted rent that the PRADS Model is proposing may only be feasible through the addition of a suite of incentives including (but not restricted to):

- Timing (fast-track planning approval process);
- Car parking dispensation;
- Council rates exemption; and
- Taxation considerations.

These incentives are the key themes of this Report.

3 PwC Analysis

3.1 Approach

In undertaking our review, PwC was instructed to assess PRADS through a qualitative and quantitative analysis.

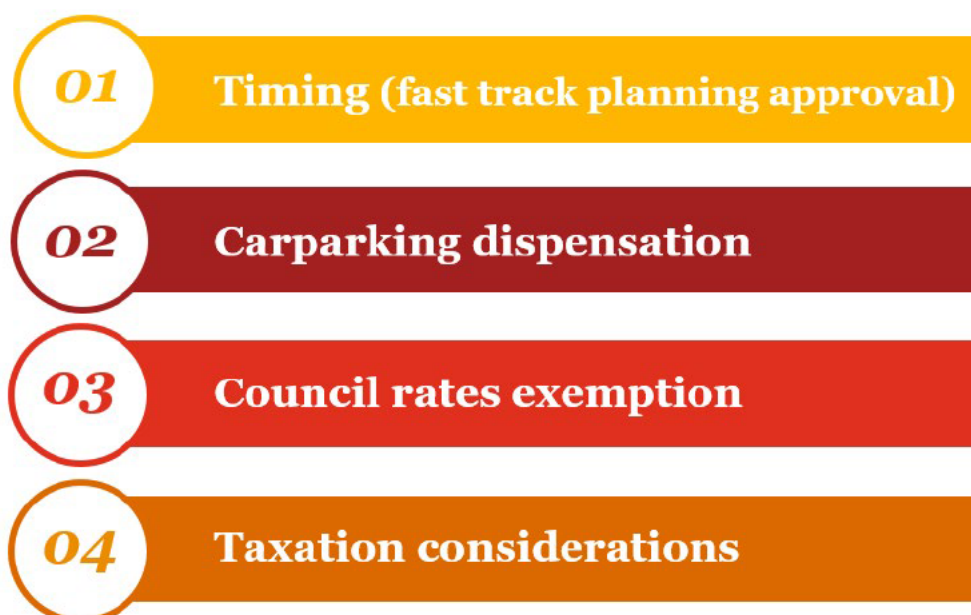
The qualitative analysis examined the practicality of implementation under each incentive. The quantitative analysis examined the trade-off between the level of discount and the number of dwellings that may be delivered by leveraging the incentives whilst maintaining developers' returns. The quantitative analysis conducted references two (2) hypothetical apartment development examples. These examples, situated in Windsor and Fishermans Bend, were selected in consultation with IMAP representatives, based on their relevant location within inner Melbourne local government areas the City of Stonnington and the City of Port Phillip, respectively. The analysis was undertaken with respect to a low density development in Windsor and a high density development in Fishermans Bend to understand how scale impacts the outcome of each incentive.

In conjunction with our desktop analysis, multiple interviews were undertaken with private residential developers and representatives from the Affordable Housing Industry Advisory Group, which included members from the Community Housing Industry Association ("CHIA"), Common Equity Housing Limited ("CEHL") and the Urban Development Institute of Australia ("UDIA"). Their combined knowledge and experience of the sector informed the practicality of implementing these incentives. PwC believed it was important to understand the views of different stakeholders in conducting its research. The views of the various groups are detailed further within this Report.

3.2 Qualitative analysis of PRADS

PwC has conducted a qualitative analysis of the planning incentives under the PRADS Model to assess the practicality of implementation. The qualitative analysis, in conjunction with the feasibility assessment of PRADS, is a crucial step in understanding the behaviour of this Model in a holistic and practical sense. Figure 3 defines the incentives PwC has analysed in this section:

Figure 3: List of incentives qualitatively analysed

- 
- 01** Timing (fast track planning approval)
 - 02** Carparking dispensation
 - 03** Council rates exemption
 - 04** Taxation considerations

3.2.1 Timing (fast track planning approval)

The application of the timing incentive leverages a fast-track planning approval process. In Victoria, a typical planning application process has a process timeline of up to 24 months. We understand from the IMAP Councils that the fast-track process for planning would ensure a guaranteed planning decision within three (3) months, subject to the provision of all information reasonably required by Responsible Authority for the assessment of an application. We note this three (3) month period is for Council decision making, only, and does not allow for any potential VCAT appeal process. This concept would align with a Victorian State Government initiative called 'VicSmart'³, for example, which currently exists for the purposes of streamlining planning applications for small scale projects. Development applications using the VicSmart fast track process are only successful if they abide by a specific criteria.⁴ The IMAP Councils may wish to consider replicating the VicSmart initiative and develop a set of criteria that can deliver the desired outcomes for Councils and the developer. We also refer to the Moreland Design Excellence Scorecard trial which we understand is an example of this type of voluntary incentive that offers a time saving for planning approvals. PwC notes that VCAT appeal rights may restrict the legitimacy of the planning decision approval, potentially reducing the effectiveness and likelihood of the implementation of this incentive. To be effective as an incentive, each Council will need to consider whether it wishes to abolish third party appeal rights. For example, Fishermans Bend has all appeal rights exempt, supporting the practicality of this incentive in this precinct. IMAP should seek to identify additional areas and/or circumstances where appeal rights could be removed. PwC recognises this will need to be approached on a case by case basis, as the removal of VCAT appeal rights will need to be considered in conjunction with the development controls of certain locations and stakeholder interests.

Whilst fast tracking planning approvals is an incentive local government can leverage for PRADS, further work is required by local government in developing an internal capability that equips them with the requisite skills to negotiate with developers. Councils need to develop planning and design review processes for fast-tracking development approvals which don't impact the integrity of development and urban design outcomes.

3.2.2 Car parking dispensation

The application of car parking dispensation involves a reduction or waiver of car parking requirements across a development. Car parking is a large cost input into a developer's feasibility and, if the option of reducing this cost was available, developers may elect to use this incentive as it reduces costs and, in some instances where car parking is above ground, results in greater density (as net saleable "NSA" area) that may result in an increase in development profits.

Figure 4 illustrates current provisions for car parking under the Victoria Planning Provisions. Column A applies unless Column B applies.⁵ Column B applies if:

- Any part of the land is identified as being within the Principal Public Transport Network Area as shown on the 'Principal Public Transport Network Area Maps' (State government of Victoria, August 2018); or
- A schedule to the Parking Overlay or another provision of the planning scheme specifies that Column B applies.

Figure 4: Residential car parking requirements, State Government of Victoria

Column A	Column B	Car parking measure
1	1	To each one or two bedroom dwelling
2	2	To each three or more bedroom dwelling (with studies or studios that are separate rooms counted as a bedroom)
1	0	For visitors to every 5 dwellings for developments of 5 or more dwellings

Note: This table is sourced from http://planningschemes.dpcd.vic.gov.au/schemes/vpps/52_06.pdf

³ <https://www.planning.vic.gov.au/planning-permit-applications/vicsmart>

⁴ <https://www.planning.vic.gov.au/planning-permit-applications/vicsmart>

⁵ http://planningschemes.dpcd.vic.gov.au/schemes/vpps/52_06.pdf

Local governments in Victoria, through the application of Parking Overlays, can control, at a local government level, the car parking provisions for new developments. As such, a number of Councils within IMAP have within their local planning frameworks potential dispensation for zero car parking provision.

The feasibility analysis undertaken across the two hypothetical development sites, to reduce car parking by 50 percent, demonstrated a lack of viability associated with the application of the car parking incentive, as the reduction in revenue was greater than the construction cost savings associated with the reduction in car parking.

In developments where car parking is above ground, the exemption from providing car parking would allow for a residential density uplift producing an uplift in project revenue due to residential revenue being greater than that of car park revenue. In this instance, car parking dispensation would be considered a substantial incentive for developers electing to voluntarily use the PRADS Model.

Whilst this mechanism may be an effective lever for development sites with above ground car parking, realistically it is constrained for projects that are not well-served by public transport as it impacts on the marketability of the dwellings, and the end sale price on completed product due to reliance on cars by the prospective purchasers.

3.2.3 Council rates exemption

This incentive focusses on providing Council rates exemption for developments that incorporate a required level of affordable housing. We understand that the City of Melbourne has a rates reduction policy for new affordable housing development.

The rates Councils collect reflect a form of property tax. The value of each property is used as the basis for calculating what each property owner will pay⁶. Rates contribute to local government for the cost of providing facilities and services to the community, including maintenance of parks, library services, roads and recreational facilities, etc.

Within the Victorian Local Government Act (1989), under sub-section 154(2)(c), any part of land used **exclusively** for charitable purpose is rates exempt. Moreover, affordable housing is referred to in the Local Government Act, with sub-section 169(1D) stating that “a Council may grant a rebate or concession in relation to any rate or charge, to support the provision of affordable housing to a **registered agency**” (a registered agency being a housing association or housing provider registered with the Victorian Department of Housing).

Therefore, based upon our interpretation of the Victorian Local Government Act (1989), an exemption from Council rates would likely need legislative change to extend the application of the exemption to the private sector. The Council rates exemption, as an incentive on its own, will not be a substantial lever that will incentivise participation from the market, and the effort of undertaking legislative change to enable the application of the mechanism by the private sector may not justify its use as an incentive for PRADS.

3.2.4 Taxation considerations

Taxation incentives may be available to retail investors and/or institutional investors to stimulate their investment in the PRADS Model. Within our scope of work, IMAP has asked us to provide specific commentary on the application of the HomeGround Private Tax Ruling, and more broadly, Managed Investment Trusts (MITs). We provide specific comment on these matters below.

HomeGround Real Estate Private Tax Ruling

HomeGround Real Estate is a not for profit real estate agency which we understand is owned by Launch Housing, a Victorian community housing association. In 2016, HomeGround sought, and the Australian Tax Office granted, a Class Ruling (CR 2016/42) which, in effect, allows landlords who list their property at a discounted rental rate with HomeGround to claim the gap (between market rent and rents charged) as a tax deduction at the end of the financial year. The tax ruling is not designed as a financial incentive for landlords, as such, but is designed to recognise the contribution made by the owner by allowing them to claim the gap between market rent and the discounted rent they decide to offer to the tenant. We understand that HomeGround provides landlords with a tax deductible donation receipt at the end of each financial year to facilitate the taxation deduction.⁷

⁶ Subsection 154(2)© of the Local Government Act 1989 (Victoria)

⁷ <https://www.homegroundrealestate.com.au/news/ato-ruling-information/>

Based upon our understanding of CR 2016/42, it is difficult to see a direct application to the PRADS Model. The tax deduction applies to owners who lease their properties at below market rent, noting that these properties reflect an “unencumbered basis” (i.e. full market value) – a PRADS housing product proposes a discounted rent as a function of a discounted capital value.

Managed Investment Scheme

“Managed Investment Schemes (“MIS”) are also known as ‘managed funds’, ‘pooled investments’ or ‘collective investments’. Generally, in a managed investment scheme:

- people are brought together to contribute money to obtain an interest in the scheme (‘interests’ in a scheme are a type of ‘financial product’ and are regulated by the Corporations Act 2001 (Corporations Act))
- money is pooled together with other investors (often many hundreds or thousands of investors) or used in a common enterprise
- a ‘responsible entity’ operates the scheme. Investors do not have day to day control over the operation of the scheme.”⁸

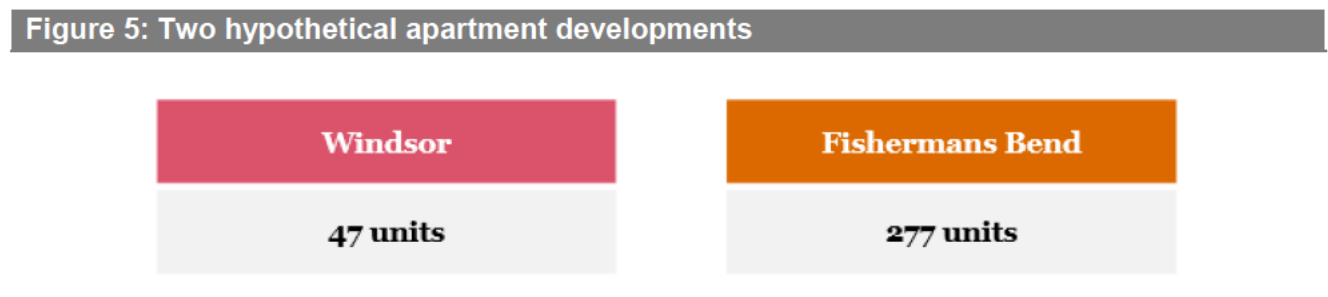
MIS cover a wide variety of investments including **property trusts**. A MIT structure essentially allows local and foreign investors to invest in Australia through passive investments such as land for the purposes of deriving rent. On 9 May 2017, the Federal government announced that for income years starting on or after 1 July 2017 it would introduce rules to enable MITs to acquire, construct or redevelop property that is **affordable housing**.⁹ On 14 September 2017, an Exposure Draft of the proposed legislation was released, clarifying that from September 2017 MITs could not acquire residential property, other than affordable housing. Following consultation, the Bill was introduced and approved so that MIT distributions that are attributable to investments in residential housing that are **not** used to provide affordable housing will be non-concessional MIT income that is subject to a final MIT withholding tax at a rate of 30%.

The underlying intent of the Federal government initiating these changes was to seek to stimulate large local and foreign property players to add special purpose affordable housing MITs to their suite of investment funds available to investors. Under the changes, the capital gains tax discount for resident individuals has increased from 50% to 60% where the MIT has used residential real estate to provide affordable housing for at least 3 years prior to sale; and for non-resident investors a 15% withholding tax rate can be applied if the MIT has used residential real estate to provide affordable housing for at least 10 years. We further note, under these changes the property must be managed by a community housing provider.

To date, we have not seen a material uplift in the provision of affordable housing through the MIT platform and we highlight further comments regarding institutional appetite for the residential sector elsewhere within this Report. We also note that the MIT legislation excludes long term rental products such as Build to Rent.

3.3 Quantitative analysis of PRADS

PwC has conducted a quantitative feasibility analysis based on hypothetical apartment developments within selected IMAP Local Government Areas. The analysis was undertaken in the form of development feasibility modelling using the Estate Master software. The sites were selected to provide a contrast in scale and location. The provision of affordable housing in these examples was tested against the specified PRADS incentives. The sites included:



⁸ ASIC website

⁹ [https://www.ato.gov.au/General/New-legislation/In-detail/Direct-taxes/Income-tax-on-capital-gains/Encouraging-Managed-Investment-Trusts-\(MITs\)-to-invest-in-affordable-housing/](https://www.ato.gov.au/General/New-legislation/In-detail/Direct-taxes/Income-tax-on-capital-gains/Encouraging-Managed-Investment-Trusts-(MITs)-to-invest-in-affordable-housing/)

The feasibility models for each site include a Base Case (100% private) analysis which was used to derive the baseline of the analysis. Alternative scenarios to evaluate the impact of the incentives based on the discount of market purchase price were also modelled. This is in line with the incentives detailed in this document, and determine which ones have greater ability to incentivise private sector uptake of the PRADS Model. This modelling seeks to determine the trade-off between the level of discounted rent and the number of affordable dwellings provided.

The financial feasibility modelling has included consideration of the following scenarios.

Figure 6: Feasibility modelling scenarios



Note: PwC has included a scenario that combines timing and car parking dispensation as a test to determine the returns created from combining two incentives.

3.3.1 Approach to analysis

To determine the impact of the incentives for each project, the analysis undertaken by PwC followed the approach set out below to determine the trade-off between:

- The level of discounted rent/value, and
- The number of affordable units.

The analysis involved the following steps:

Step 1.

The base case development metrics¹⁰ of each project were assessed through a highest and best use analysis.

Step 2.

The development profit/risk margin from the base case scenario was adopted as the control variable, to assess the trade-off between the level of discount and the number of affordable dwellings, whilst retaining the integrity of the profit/risk margin for the development.

Step 3.

- The number of affordable units was extracted from the Step 2 analysis and used to assess the quantum of discount that could be applied to each unit as a percentage of market purchase price. The discounted unit therefore represents an affordable unit.
- The annual rent was derived from the affordable unit purchase price using the current rental yield relevant to each of the project sites.
- A validation process was undertaken to assess the correlation between the discounted rent derived from a discount to market purchase price and a direct discount in market rent.

For example, the below hypothetical scenario represents the approach to Step 3. We have taken an apartment market purchase price of \$500,000 as an example. The annual rent calculated in both scenarios is identical, therefore validating the integrity of the rental yield across both cases.

Figure 7: Financial analysis (Step 3)

Discounted rent derived from a discount to market purchase price		Direct discount in market rent (validation process)	
Purchase Price @80% of market	\$400,000	Purchase Price	\$500,000
Yield	4.0%	Yield	4.0%
Annual rent	\$16,000	Annual rent	\$20,000
		Rent @80% of market	\$16,000

This analysis was conducted over three (3) discounted purchase scenarios, involving the hypothetical sale of affordable dwellings at 50% purchase price, 60% purchase price and 80% purchase price. The following section illustrates the findings from this analysis for both the Windsor and Fishermans Bend sites.

¹⁰ Development metrics such as total revenue for private dwellings, development profit, profit and risk hurdle, project IRR, etc, were used to determine the projects' viability and to establish a baseline for comparison.

3.3.2 Summary of findings

Windsor feasibility outputs

The table below illustrates the number of affordable dwellings that can be delivered by leveraging each incentive. For each incentive, three discount scenarios were tested to assess the trade-off between the depth of the rental discount provided and the number of affordable dwellings that could be delivered out of the total 47 dwellings. The below figures outline the outcomes from step one and step two, previously described.

Figure 8: Windsor feasibility outputs

Windsor dwelling metrics		Discount Scenario (# and %)					
		80%		60%		50%	
		No. of units	% of units	No. of units	% of units	No. of units	% of units
Incentive	Base Case	0	0	0	0	0	0
	Timing	4	8.6%	2	3.8%	1	3.0%
	Timing / Car parking	4	9.1%	2	4.0%	1	3.1%
	Car parking	0	0.00%	0	0.00%	0	0.00%
	Council Rates	0	0.9%	0	0.4%	0	0.3%

The following tables illustrate the outputs from the revenue assessment detailed in Step 3 of our adopted approach. Each table indicates the market purchase price of each unit, the discount value (calculated as an output of the incentive applied), the affordable purchase price of each unit and the rental yield. The incentives providing the greatest leverage are Timing and Timing/Car parking (which is predominantly attributed to the cost savings by reducing the planning timeframe). We have summarised the findings from each discounted purchase scenario over the following three tables.

Figure 9: Windsor feasibility outputs (continued)

Windsor revenue metrics		Discount Scenario (\$)			
		80%			
		Average Market Purchase Price (\$K)	Discount applied per unit (\$K)	Affordable unit purchase price (\$K)	Rent p.a. (calculated 4% yield) (\$K)
Incentive	Base Case	\$713K	-	-	\$29K
	Timing	\$713K	\$143K	\$570K	\$23K
	Timing / Car parking	\$684K	\$137K	\$547K	\$22K
	Car parking	\$684K	\$0	\$684K	\$27K
	Council Rates	\$713K	\$25K	\$688K	\$28K

Note: All scenarios involving car parking dispensation have a different market purchase price resulting from the reduced car parking within the development.

Figure 10: Windsor feasibility outputs (continued)

Windsor revenue metrics		Discount Scenario (\$)			
		60%			
		<i>Average Market Purchase Price (\$K)</i>	<i>Discount per unit (\$K)</i>	<i>Affordable unit purchase price (\$K)</i>	<i>Rent p.a. (calculated 4% yield) (\$K)</i>
Incentive	Base Case	\$713K	-	-	\$29K
	Timing	\$713K	\$284K	\$429K	\$17K
	Timing / Car parking	\$684K	\$273K	\$411K	\$16K
	Car parking	\$684K	\$0K	\$684K	\$27K
	Council Rates	\$713K	\$10K	\$703K	\$28K

Figure 11: Windsor feasibility outputs (continued)

Windsor revenue metrics		Discount Scenario (\$)			
		50%			
		<i>Average Market Purchase Price (\$K)</i>	<i>Discount per unit (\$K)</i>	<i>Affordable unit purchase price (\$K)</i>	<i>Rent p.a. (calculated 4% yield) (\$K)</i>
Incentive	Base Case	\$713K	-	-	\$29K
	Timing	\$713K	\$356K	\$358K	\$14K
	Timing / Car parking	\$684K	\$342K	\$342K	\$14K
	Car parking	\$684K	-	\$684K	\$27K
	Council Rates	\$713K	\$7K	\$706K	\$28K

Fishermans Bend feasibility outputs

Similarly, the table below illustrates the number of affordable dwellings that can be delivered by leveraging each incentive. For each incentive, three discount scenarios were tested to assess the trade-off between the depth of the rental discount provided and number of affordable dwellings that could be delivered out of the total 277 dwellings.

Figure 12: Fishermans Bend dwelling metrics

Fishermans Bend dwelling metrics		Discount Scenario (# and %)					
		80%		60%		50%	
		No. of units	% of units	No. of units	% of units	No. of units	% of units
Incentive	Base Case	0	0	0	0	0	0
	Timing	27	9.6%	12	4.3%	9	3.2%
	Timing / Car parking	23	8.2%	10	3.6%	8	2.8%
	Car parking	0	0	0	0	0	0
	Council Rates	2	0.8%	1	0.3%	1	0.3%

The following tables illustrate the Fishermans Bend outputs from the revenue assessment detailed in Step 3 of our adopted approach. Each table indicates the market purchase price of each unit, the discount value (calculated as an output of the incentive applied), the affordable purchase price of each unit and the rental yield. The incentives providing the greatest leverage are Timing, Timing/Car parking (which is predominantly attributed to the cost savings by reducing the planning timeframe) and Council Rates. We have summarised the findings from each discounted purchase scenario over the following three tables.

Figure 13: Fishermans Bend revenue metrics

Fishermans Bend revenue metrics		Discount Scenario (\$)			
		80%			
		Average Market Purchase Price (\$K)	Discount per unit (\$K)	Affordable unit purchase price (\$K)	Rent p.a. (calculated 4% yield) (\$K)
Incentive	Base Case	\$702K	-	-	\$28K
	Timing	\$702K	\$141K	\$562K	\$22K
	Timing / Car parking	\$673K	\$135K	\$538K	\$22K
	Car parking	\$673K	\$132K	\$541K	\$22K
	Council Rates	\$702K	\$139K	\$563K	\$23K

Note: All scenarios involving car parking dispensation have a different market purchase price resulting from the reduced car parking within the development.

Figure 14: Fishermans Bend revenue metrics

Fishermans Bend revenue metrics		Discount Scenario (\$)			
		60%			
		<i>Average Market Purchase Price (\$K)</i>	<i>Discount per unit (\$K)</i>	<i>Affordable unit purchase price (\$K)</i>	<i>Rent p.a. (calculated 4% yield) (\$K)</i>
Incentive	Base Case	\$702K	-	-	\$28K
	Timing	\$702K	\$281K	\$421K	\$17K
	Timing / Car parking	\$673K	\$270K	\$403K	\$16K
	Car parking	\$673K	\$264K	\$409K	\$16K
	Council Rates	\$702K	\$277K	\$425K	\$17K

Figure 15: Fishermans Bend revenue metrics

Fishermans Bend revenue metrics		Discount Scenario (\$)			
		50%			
		<i>Average Market Purchase Price (\$K)</i>	<i>Discount per unit (\$K)</i>	<i>Affordable unit purchase price (\$K)</i>	<i>Rent p.a. (calculated 4% yield) (\$K)</i>
Incentive	Base Case	\$702K	-	-	\$28K
	Timing	\$702K	\$351K	\$351K	\$14K
	Timing / Car parking	\$673K	\$337K	\$336K	\$13K
	Car parking	\$673K	\$338K	\$336K	\$14K
	Council Rates	\$702K	\$351K	\$351K	\$14K

3.4 Summary

The quantitative development feasibility analysis of the two hypothetical apartment developments in Windsor and Fishermans Bend examined the impact of each incentive on the affordable dwelling yield. Figure 16 illustrates, at a high-level, the viability of each incentive across the range of discounts through a traffic light test with 'green' signifying positive impact, 'amber', moderate impact and 'red', minimal impact.

Figure 16: Summary of financial analysis

Incentive		80% discount scenario	60% discount scenario	50% discount scenario
Windsor	Timing	Green	Amber	Red
	Timing/Car parking dispensation	Green	Amber	Red
	Car parking dispensation	Red	Red	Red
	Council rates exemption	Red	Red	Red
Fishermans Bend	Timing	Green	Amber	Red
	Timing/Car parking dispensation	Green	Amber	Red
	Car parking dispensation	Red	Red	Red
	Council rates exemption	Red	Red	Red

From a pure quantitative analysis, it is evident the incentives, as a general observation, play a similar role across both small and large scale developments. The difference being, however, incentives are more effective on large scale developments as larger affordable dwelling production occurs. Whilst PRADS proves to be most effective when associated with fast-tracked timing, consideration needs to be given to the practicality of implementation, where the application of the incentive is reliant on changes to processes within local government, as discussed within this Report.

4 Governance and Legal Considerations

4.1 Proposed governance processes

The table below outlines the proposed governance processes for PRADS, as outlined in the HAA report with relevant observations by PwC.

Figure 17: Overall governance processes and outcomes

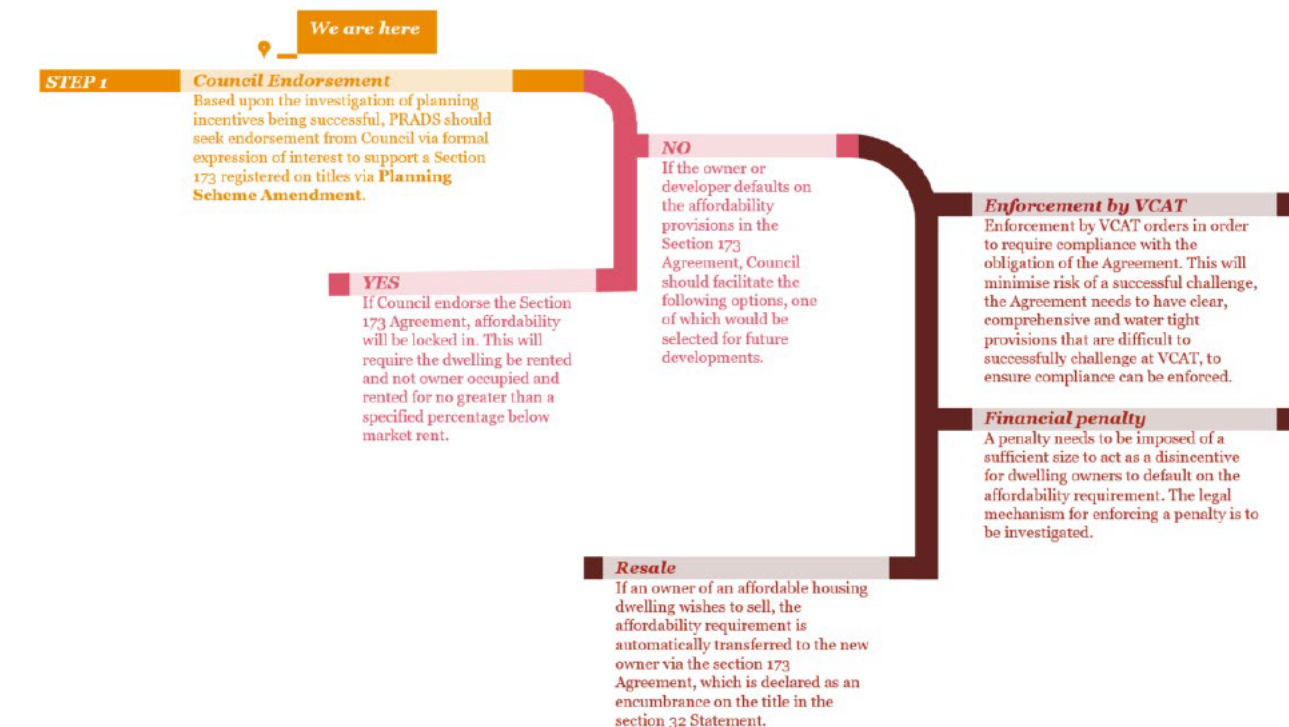
Theme	HAA Processes	PwC Comments/Outcomes
Property management	<ul style="list-style-type: none"> <i>An appointment of a qualified property manager of the investor or developer's choice. This could either be a private sector real estate agency or a community housing provider.</i> <i>The property manager needs to understand and agree to follow specific processes and governance requirements similar to NRAS.</i> 	<ul style="list-style-type: none"> The option of choice, being either a community housing association or provider, charitable organisation or the private sector, may impact investor appetite for the Model (positively/negatively). Accordingly, branding and promotion of the PRADS Model to developers and investors will be critical.
Affordable rent levels	<ul style="list-style-type: none"> <i>The property manager requests from an approved CHP or CHA the maximum rental to be charged for the designated dwellings.</i> <i>This will be based on a sworn valuation of market rent which will then be reduced by the agreed percentage below market rent negotiated with Council.</i> <i>A fee for service will be paid to the CHP or CHA to conduct this process.</i> 	<ul style="list-style-type: none"> Having appropriate rent mechanisms in place protects the interest of the affordable housing tenant. Provides the property manager with the most accurate and up to date rental amount. local/state government will need to be bound by robust processes and independent reviews to monitor individual property managers, to ensure they are compliant with the obligations of this Model. Further consideration should be undertaken as to whether this compliance could be achieved via the use of community housing associations/providers which are currently regulated entities.
Tenant selection	<ul style="list-style-type: none"> <i>The property manager reviews each tenancy application based on income selection criteria as defined under Affordable Housing Income Levels and the dwelling is then leased to the tenant.</i> 	<ul style="list-style-type: none"> This will guarantee the most appropriate tenant is selected for the affordable dwellings.

Theme	HAA Processes	PwC Comments/Outcomes
Verification	<ul style="list-style-type: none"> <i>The property manager submits required documentation (incomes and rents) to the community housing provider to verify affordability compliance.</i> <i>The housing provider checks documentation and submits it to the State Government (the relevant department is yet to be determined).</i> <i>This process is currently in place for NRAS. As a further level of compliance, it is recommended that the State conducts annual random audits for all tenancies listed on the Affordable Rental Housing Register to ensure compliance with the Section 173.</i> 	<ul style="list-style-type: none"> This will ensure compliance and verification for the tenant, the community housing association/provider and the developer. The verification process outlined in the HAA Report is reliant on hypothetical processes. If PRADS is to undergo an implementation stage, local government will need to consider and prioritise the practicality of this governance process. Compliance is undertaken by the community housing sector because it is linked to a Regulatory Act. In this case, an independent compliance system should be established to protect the interest of the tenant, local government and the investor. S173 Agreements are normally prepared by each respective Council. Consideration could be given for a standardised template across all Councils.
Affordable Rental Housing Register	<ul style="list-style-type: none"> <i>The State Government creates an Affordable Rental Housing Register (ARHR) to record all affordable housing units that have been negotiated between Councils and developers.</i> 	<ul style="list-style-type: none"> The ARHR will be important as it records both the commitments made by developers with Councils and the affordable housing built and tenanted. Similarly to verification, this step will require significant stakeholder engagement with the Victorian government. Further discussions should be held with the Victorian Housing Registrar about the PRADS Model. A key concern we have relates to the enforceability of PRADS. Put simply, what is the consequence for a private sector owner if they don't adhere to their below market rental obligations? From an implementation perspective this needs to be carefully considered.

4.2 Legal considerations

Below is a flow chart representing the legal considerations that we understand will need to be put in place and directed by local government for successful implementation of the PRADS Model. These have been interpreted from the HAA document, and should be explored further from a legal perspective.

Figure 18: Potential legal mechanisms for local government implementation



We understand HAA is currently working with its legal advisors to further explore enforcement mechanisms relating to the compliance of PRADS.

5 Preliminary Stakeholder Feedback

In conjunction with our desktop analysis, multiple interviews were undertaken with private residential developers and representatives from the Affordable Housing Industry Advisory Group, which included members from the Community Housing Industry Association (CHIA), Common Equity Housing Limited (CEHL) and the Urban Development Institute of Australia (UDIA). **The collective feedback from the stakeholder discussions has been summarised below:**

- Incentives investigated through the PRADS Model already exist but are limited in take-up from the private sector. Further analysis and engagement with the private sector is needed to assess the effectiveness of these incentives.
- The planning levers that provide the greatest incentive for private sector uptake of the Model are: density uplift (not considered in the analysis), car parking dispensation and public open space. Public open space exemption or a reduction in levy would potentially act as a significant incentive for developers as typically there is a large cost attributed to it.
- The Victorian Planning system is not designed to turn around approvals in three months, as proposed. There needs to be a greater level of confidence for developers that local government can modify existing processes to fast-track development applications. Unless there is significant change to planning approval processes, developers may not leverage this mechanism voluntarily.
- The Model should only focus on providing affordable rental for key worker housing, where there is no requirement for Government intervention to fill the rental gap.
- Alternative property management options for affordable dwellings would incentivise the private sector to deliver affordable dwellings.
- The Housing Associations need to be involved in the process to ensure compliance with policy.
- The 'perception' of Community Housing Association/Provider management as a disincentive needs to be addressed. Why? Developers need to be educated, however they understand that this will be a mindset change and may take time as the sector matures.
- The marketability of a dwelling with an encumbrance on title restricting its use for affordable rental may reduce the pool of private investors who purchase it. This will have a flow on effect on the re-sale value and remove the flexibility to on-sell by investors if there is a limited depth of market.

6 Findings

In consideration of the factors outlined in this report, the IMAP Councils are now exploring the PRADS Model developed by Housing All Australians. The theoretical construct of the PRADS Model is relatively straightforward whereby local government facilitates the delivery of affordable dwellings through planning mechanisms negotiated with the private sector (developers). The PRADS Model is the creation of privately owned rental housing, rented at below market rents to tenants with incomes that satisfy the definition of affordable housing under Section 3AB of the Planning and Environment Act 1987. Unlike the National Rental Affordability Scheme (NRAS), this obligation is intended to be registered on title (via a section 173 Agreement or other legal instrument) for the economic life of the dwelling.

The PRADS Model requires the developer and respective local government to “negotiate” the number of dwellings and the percentage below market rent for which the dwellings can be rented. The developer will, in turn, sell these dwellings to investors in the private market, thus creating a supply pipeline of affordable housing stock.

Critical to motivating favourable behaviour from the developer market will be the use of incentives to effectively off set the value lost (from a gross realisation perspective) due to the provision of the affordable housing stock. The developer market would not expect to be financially disadvantaged by providing PRADS housing in their projects. As part of our quantitative analysis, we have been able to demonstrate how PRADS housing stock could be provided, leveraging incentives such as reduced planning timeframes and car parking dispensation (as examples) whilst maintaining the financial integrity of the developer model. The PRADS Model, in its broader context being developed by HAA, is also looking at a range of incentives such as rezoning and capturing value uplift under discretionary planning controls. These incentives are beyond the scope of this Report, but this does not preclude IMAP Councils from considering them.

Based upon our understanding and review of the Model, it is the practical implementation of the Model (not unlike the implementation of any new model) that presents matters that may require further investigation and consideration by stakeholders. We detail these implementation considerations below.

- **Role of local government**

- Local government will need to have streamlined planning processes in place to facilitate the effective fast tracking of PRADS planning applications, noting that our quantitative analysis indicated that the strongest housing outcomes are likely to be driven, principally, by the compression in the planning timeframe and additional certainty that developers can “rely” on. Councils will need to consider whether they wish to abolish third party appeal rights, which has the potential to prolong the approval process.
- Local government may require dedicated resources and defined procedures being established within local government to ensure that approval timeframes are met, whilst ensuring that “quality” of decision making and development and urban design outcomes are not compromised as a consequence of compressed timeframes. We note the private sector stakeholder feedback and scepticism about the ability of the Victorian planning system and local government to work within compressed timeframes.
- Local government will need to develop a framework by which it “negotiates” with developers/applicants. This process will need to be transparent, well understood, very easy to implement and have the necessary safeguards to ensure that negotiations are not structured to derive gamed outcomes. This is a critical consideration for local government. For example, on what basis will local government negotiate and how will it know it is getting a fair deal?
- Local governments should invest to further understand tenant demand profiles and the depth of the required subsidy/ies required within their respective municipalities.
- Each local government needs to inform, via policy amendments or through public announcements, what the specific design and planning criteria are for developers that want to participate in the Model. PwC’s analysis only considers the moderate income thresholds applicable to a PRADS product, not a specific LGA catchment analysis. Therefore, this is a built-form analysis, not a catchment demand analysis indicating the requirement for a demand analysis in each IMAP LGA to confirm demand assumptions in the next phase of the PRADS investigation. For example, demand assumption investigations would consider dwelling mix and type.

- Local government should consider the legislative and or other approval frameworks that may be required to enable rate relief. We note that our quantitative analysis has shown that the application of local government rates relief provides minimal impact in terms of the supply of affordable housing stock.

- **Branding and promotion of PRADS Model**

- The internal and external branding and promotion of the PRADS Model needs to be carefully positioned and understood. Certainty of timing, outcome and risk profile will vary for each stakeholder and be fundamental to the success of PRADS. For example, developers will require certainty of timing, the retail property investor market may need educating and delineation between social and affordable housing may need to be reinforced. External financiers will require a detailed understanding of the risk profile of a PRADS housing product and the application of the restriction placed on title. Each Council would need to make its own decision about the application of PRADS within its municipality.

- **Retail investor market**

- In theory, the investment in a PRADS housing product should generate the same investment yield for the same investment housing product without PRADS. We speculate that the, on balance, lower level of equity required to fund the purchase price of an investment property may broaden the depth and appetite from the retail investor market. However, the marketing and promotion of the PRADS Model to the retail investment market will require careful positioning.
- Consistent with the point above, it is unclear what additional impact, if any, the application of a restriction on title (for the effective life of the property) may have on the underlying value of the property; for example, would a hypothetical purchaser seek an additional purchase price discount because of the title encumbrance? PRADS would represent a “new” variant on the residential property investment class which is untested. We note that the NRAS obligation applies for a period of **only** 10 years at which point the property becomes unencumbered. We suggest that a level of investor sounding be undertaken to better understand how retail investors may respond to the PRADS structure.
- Unlike NRAS, the PRADS product does not provide a refundable tax off set for investors. There is no taxation incentive inherent in the Model which is intended to enhance investment returns. We understand that the private tax ruling obtained by HomeGround Real Estate allows the landlord/owner to claim a tax deduction for the rental shortfall (between market and actual). We don’t see the direct application of this ruling for PRADS as the tax deduction applied relates to owners with properties that are valued on an “unencumbered basis” (i.e. full market value) – a PRADS housing product proposes a discounted rental as a function of a discounted capital value.

- **Institutional investor market**

- The NRAS model failed to garner institutional (superannuation, listed and unlisted funds) appetite for residential investment product. There were a wide number of reasons for this including (but not restricted to); the lack of understanding relating to the historical performance of the residential sector (and apportionment of income and capital returns), the dilution of portfolio investment returns (residential attracting lower yields relative to other asset classes), the inability to secure scale and the perceived risks associated with property management, asset management and brand damage should tenants default and be evicted.

In more recent times, we are seeing a much greater appreciation of the residential sector as an institutional asset class and investor interest increasingly given the compression in yields across traditional asset classes and the emergence of the build to rent sector in Australia. Notwithstanding this, we suspect that without scale, institutional appetite and investment, in the short term, may be limited. We acknowledge the existence of the MITs and other recent changes by the Federal Government to stimulate the provision of affordable housing, however, to date, we have not seen material uplift in the provision of affordable housing through the MIT platform. This, therefore, may leave the PRADS Model as a principally retail “mum and dad” style of investment.

- Detailed market sounding to establish the investment appetite of retail (and institutional investors) is regarded as a prudent next step should stakeholders wish to move forward with the PRADS Model into an implementation phase.

- **Scalability of PRADS**

- Our quantitative analysis (using the Fishermans Bend project example) illustrates that theoretically, a total of 27 PRADS dwellings (out of a total project of 277 dwellings) could be provided at 80% of market rent, whilst keeping the developer financially whole. Note, this was achieved by compressing an assumed 2 year planning allowance into 3 months. The achievability of this will be clearly a function of local government approval frameworks. It is also pertinent to highlight that should the approval timeframe be extended to say 6 or 12 months this would reduce the achievable affordable housing yield. Similarly, this analysis was prepared assuming the developer is willing to effectively pass over 100% of any “gain” as affordable housing. It is not unreasonable to think that the developer may need to be further incentivised to participate in PRADS. We note within our analysis that additional modelling was undertaken to show the impact of a greater rental subsidy at 60% and 50% of market rent, and this is detailed further within the Report.
- We believe the PRADS Model is capable of providing scale. Our analysis has shown that on smaller sized projects the impact of incentive application is minimal however for larger scale projects it could be material. For example, in a larger urban regeneration precinct and via rudimentary extrapolation of our analysis, within an overall development yield of say 5,000 dwellings, we believe it may be possible to secure between 400-600 dwellings (at 80% of market rental and leveraging the incentives considered). At 50% and 60% of market rent we expect a total outcome of between 150-200 dwellings could be provided. The resolution of the implementation challenges (detailed herein) and the volatility of the retail investor market would be key factors to achieving these outcomes.

We would strongly encourage the City of Port Phillip, City of Melbourne and the State government in particular to undertake further analysis to consider the application of PRADS for regeneration areas such as Fishermans Bend.

- **Governance processes and outcomes**

- We concur with the general governance processes and outcomes proposed within the PRADS Model.
- The PRADS Model contemplates the creation of an Affordable Rental Housing Register by the State government which identifies all affordable rental obligations and is randomly audited annually to ensure satisfactory compliance with the rental condition. We agree with this approach, however, we anticipate that considerable dialogue will be required with the State government relating to the Model’s implementation. A key concern we have relates to the enforceability of PRADS - put simply, what is the consequence for a private sector owner if they don’t adhere to their below market rental obligations?. For example, should a Section 173 Agreement be used as the legal instrument to enforce PRADS? In a practical sense what are the legal consequences for non-compliance of PRADS?

- **Property management**

- We note that the PRADS Model contemplates the appointment of a qualified property manager which could either be a private sector real estate agency, or a community housing association or provider. We expect that ultimately this decision will rest with the developer, initially, and then the investor, with the selection decision being based on matters such as perceived competence, pricing, etc. We do, however, regrettably recognise that there remains a general level of confusion and misunderstanding in the market about the difference between social and affordable housing and hence the management options for different tenant cohorts managed by community housing associations. This may need to be further considered and dispelled in the marketing and brand promotion of PRADS, together with building an appreciation of whether the nature of the tenancy manager gives rise to adverse pricing or investment decisions.

The PRADS Model is an innovative approach to addressing the supply of affordable housing. We remain supportive of the Model and believe that it is capable of being scalable within the market and, by consequence, would improve the lives of many Melbournians. The principal challenge for the Model is traversing the line from theory to practice and hence the implementation challenges we foresee should be very carefully considered and worked through with all relevant stakeholders.

7 Implementation Considerations

Our analysis of the PRADS Model has identified several focus areas that will require further investigation by the IMAP Councils as part of the implementation strategy. We detail these implementation considerations below:

- Local Government
 - Framework for fast tracking of planning applications to deliver an outcome within three months
 - Consideration by Council on whether it wishes to abolish third party appeal rights
 - Framework for negotiating with developers/applicants
 - Preparation of a Section 173 template standardised for all Councils
- Legal advice
 - Framework for enforcement of penalties if owners of the PRADS properties do not adhere to their below market rental obligations
 - Further examination of whether the application of a S173 Agreement on title will negatively impact value.
- State Government
 - Advice on the development and maintenance of a potential Affordable Housing Register
- Housing market
 - Market sounding on the PRADS Model structure
- Operational
 - Framework for the compliance and verification process of tenants
 - Framework to ensure that individual property managers are compliant with the obligations of the PRADS Model.

Appendix A Constellation Project

Every Australian deserves the right to a safe, affordable and secure home

The Constellation Project shares a vision to end homelessness in a generation.

It is a growing group of organisations collaborating across sectors, founded by the Australian Red Cross, Centre for Social Impact, Mission Australia and PwC Australia.

Only through collaboration can we move towards ending homelessness in a generation.

By combining its collective intelligence, resources, networks and power, it seeks to generate practical solutions that will create more homes and better journeys for people at risk of, or experiencing, homelessness.

A Social Lab designed to accelerate progress is already underway. The Lab will operate in 4-6 month cycles with a team of 30-40 people who will test and prototype ideas and, importantly, translate them into action along the way.

The Lab process is enabled by PwC's The Impact Assembly via design, facilitation, project management and backbone coordination.

The four founding members of The Constellation Project - Australian Red Cross, Centre for Social Impact, Mission Australia and PwC Australia - will harness their respective skills, resources and networks to drive change in addressing homelessness in Australia.



THE CONSTELLATION PROJECT
TOWARDS ENDING HOMELESSNESS IN A GENERATION

Appendix B PRADS Model detail (HAA report)

The model is summarised as follows:

- Affordable dwellings - a number of affordable dwellings that will be allocated/negotiated to be provided within a development.
- Affordable rent - the affordable dwellings are to be leased to households on low to moderate incomes, as defined under the Affordable Housing Income Levels, at 80% of market rents for the economic life of the building. This creates long term affordable private rental housing. This is purely a rental product. As with student housing, these dwellings will not be available for owner occupation.
- Discounted rent - a valuation will be undertaken by an approved valuer to determine the market rent from which the agreed discount can be applied. This rental figure will be conveyed to the private sector property manager and will become the maximum rental which can be charged. The developer can sell the dwelling to the investor market at a lower value reflecting the lifetime encumbrance of the reduced rental agreement. The number of affordable dwellings and the percentage below market rent is a commercial decision for the developer. The number of affordable dwellings is imposed by a planning permit condition. The investor will be paying a lower price for the dwelling and they too will view the investment from a commercial perspective based on the expected rental income and capital growth.
- Eligible households - have to meet the income tests for very low, low and moderate incomes as defined under the Affordable Housing Income Levels (as amended from time to time by the Minister for Housing).
- Management Framework / Process - this will involve:
 - a. Property management - appointment of a qualified property manager of the investor or developer's choice. This could either be a private sector real estate agency or a community housing provider. The property manager needs to understand and agree to follow specific processes and governance requirements similar to NRAS. The appointment of a private sector property manager will remove the market perception (rightly or wrongly) associated with community housing management.
 - b. Affordable rent levels – the property manager requests from an approved housing provider (a community housing organisation) the maximum rental to be charged for the designated dwellings. This will be based on a sworn valuation of market rent which will then be reduced by the agreed percentage below market rent negotiated with council. A fee for service will be paid to the community housing provider to conduct this process.
 - c. Tenant selection - the property manager reviews each tenancy application based on income selection criteria as defined under Affordable Housing Income Levels and the dwelling is then leased to the tenant.
 - d. Verification - the property manager submits required documentation (incomes and rents) to the community housing provider to verify affordability compliance. The housing provider checks documentation and submits it to the State Government (the relevant department is yet to be determined). This process is currently in place for NRAS. As a further level of compliance, it is recommended that the State conducts annual random audits for all tenancies listed on the Affordable Rental Housing Register to ensure the compliance with the Section 173.
 - e. Affordable Rental Housing Register - the State Government creates an Affordable Rental Housing Register (ARHR) to record all affordable housing units that have been negotiated between Councils and developers. The ARHR is important as it records both the commitments made by developers with Councils (which still need to be delivered) and the affordable housing actually built and tenanted.
- Legal mechanism - a section 173 Agreement is registered on title to lock in affordability:

Obligations:

The agreement requires that the dwelling be:

- a. Rented and not owner occupied
- b. Rented for no greater than a specified percentage below market rent
- Defaults – If the owner/ developer defaults on the affordability provisions in the section 173 Agreement, the following options are available / to be further investigated to enforce the provisions.
- Enforcement by VCAT orders in order to require compliance with the obligation of the Agreement – to minimise risk of a successful challenge, the Agreement needs to have clear, comprehensive and watertight provisions that are difficult to successfully challenge at VCAT, to ensure compliance can be enforced.
- Financial penalty – a penalty needs to be imposed of a sufficient size to act as a disincentive for dwelling owners to default on the affordability requirement. The legal mechanism for enforcing a penalty is to be investigated.

- Resale – If an owner of an affordable housing dwelling wishes to sell, the affordability requirement is automatically transferred to the new owner via the section 173 Agreement, which is declared as an encumbrance on the title in the section 32 Statement.

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Appendix E

House of Representatives Standing Committee on Social Policy and Legal Affairs inquiry into homelessness in Australia

PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

Final report

Inquiry into homelessness in Australia

House of Representatives Standing Committee on
Social Policy and Legal Affairs

July 2021
CANBERRA

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Foreword

Each night, tens of thousands of Australians are without a place to call home. Many thousands more are at risk of becoming homeless.

Behind these statistics lies the true cost of homelessness. Homelessness can have profound and long-term impacts on a person's safety and security, physical and mental health, on their connection to the community, and on their ability to thrive in school or in the workplace.

This inquiry was an opportunity to examine Australian governments' collective response to the problem of homelessness—to understand what is and is not working and to hear about best-practice policies and programs both in Australia and overseas.

In its interim report, presented in October 2020, the Committee considered the impact of the COVID-19 pandemic on homelessness.

In this final report, the Committee makes 35 recommendations which, taken together, propose a renewed approach to preventing and addressing homelessness in Australia.

The Committee's report concludes with a significant and overarching recommendation for the establishment of a ten-year national strategy on homelessness. While state and territory governments are primarily responsible for housing and homelessness, a clear and consistent message in evidence given to the Committee was that there is a need for a national approach.

The Committee considers that a national strategy would lead to more cohesive policies, better coordination and more accountability, particularly in relation to the use of Australian Government funding. A national strategy could also recognise and harness the important roles of local governments, community organisations and the private sector in preventing and addressing homelessness.

Most importantly, a national strategy would ensure that all Australian governments have a shared focus on achieving better outcomes for those who are homeless or at risk of homelessness. In this regard, the Committee identified three main areas for reform.

First, prevention and early intervention represent the most effective and cost-efficient measures to address homelessness. Acknowledging the value of work done to date through integrated ‘place-based’ approaches, the Committee calls for further work to support, strengthen and integrate prevention and early intervention programs.

Second, the principle of ‘Housing First’ should guide all Australian governments’ responses to homelessness. Put simply, this means that housing should be made available to people who are homeless or at risk of homelessness as an immediate priority, and a base from which their other needs can be addressed. The Committee particularly recognises the importance of providing flexible ‘wrap-around’ services as part of the Housing First strategy, to prevent homelessness and associated problems from becoming entrenched.

Third, new approaches are needed to address the shortfall in social and affordable housing. While noting that states and territories are responsible for the provision of social housing, the Committee has identified ways in which the Australian Government can work with state, territory and local governments, as well as community housing providers and other private sector investors, to increase the availability of social and affordable housing for those who need it most.

The report includes a range of other observations and recommendations. The Committee recognises that certain groups are at greater risk of homelessness than others, and that the experience of homelessness can differ from the cities and suburbs to the regional and remote parts of Australia. As such, the Committee recommends the design of a new needs-based funding model for future funding agreements, as well as particular measures to assist groups such as victim-survivors of family, domestic and sexual violence, and Indigenous Australians.

Importantly, the report also makes recommendations to improve data collection and reporting to better inform all Australian governments’ responses to homelessness. This includes a review of how homelessness is defined and how the homeless population is counted through the Census.

The Committee recognises that there is no quick fix to end homelessness in Australia. Nevertheless, the recommendations in this report highlight a range of ways in which Australian governments can work together to reduce the number of people experiencing, or at risk of, homelessness in this country.

The Committee expresses its appreciation to the many individuals and organisations who shared their views with the Committee and informed the Committee's inquiry. The Committee especially thanks those who shared their lived experience of homelessness with the Committee.

Mr Andrew Wallace MP
Chair

Membership of the Committee

Chair

Mr Andrew Wallace MP

Deputy Chair

Ms Sharon Claydon MP

Members

Dr Mike Freeland MP

Mr Andrew Laming MP

Ms Peta Murphy MP

Mr Rowan Ramsey MP

Mr Julian Simmonds MP

Dr Anne Webster MP

Terms of reference

The House of Representatives Standing Committee on Social Policy and Legal Affairs will inquire into and report on homelessness in Australia. The inquiry will have particular regard to:

- 1 the incidence of homelessness in Australia;
- 2 factors affecting the incidence of homelessness, including housing-market factors;
- 3 the causes of, and contributing factors to, housing overcrowding;
- 4 opportunities for early intervention and prevention of homelessness;
- 5 services to support people who are homeless or at risk of homelessness, including housing assistance, social housing, and specialist homelessness services;
- 6 support and services for people at particular risk of homelessness, including:
 - a. women and children affected by family and domestic violence;
 - b. children and young people;
 - c. Indigenous Australians;
 - d. people experiencing repeat homelessness;
 - e. people exiting institutions and other care arrangements;
 - f. people aged 55 or older;
 - g. people living with disability; and
 - h. people living with mental illness;

- 7 the suitability of mainstream services for people who are homeless or at risk of homelessness;
- 8 examples of best-practice approaches in Australia and internationally for preventing and addressing homelessness;
- 9 the adequacy of the collection and publication of housing, homelessness, and housing affordability related data; and
- 10 governance and funding arrangements in relation to housing and homelessness, particularly as they relate to the responsibility of Local, State, Territory and Federal Governments.

List of abbreviations

ABS	Australian Bureau of Statistics
ACH	aged care and housing
ACOSS	Australian Council of Social Service
ACRO	Australian Community Safety & Research Organisation
AHBA	Affordable Housing Bond Aggregator
AHURI	Australian Housing and Urban Research Institute
ALGA	Australian Local Government Association
AIHW	Australian Institute of Health and Welfare
ASRC	Asylum Seeker Resource Centre
AWAVA	Australian Women Against Violence Alliance
CAAFLU	Central Australian Aboriginal Family Legal Unit
CCCLM	Council of Capital City Lord Mayors
CFRC	City Futures Research Centre
CHIA	Community Housing Industry Association
CHP	community housing providers
CLA	Civil Liberties Australia
CNOS	Canadian National Occupancy Standard
COSS	Community of Schools and Services
CRA	Commonwealth Rent Assistance
CRC	Community Restorative Centre

DSS	Department of Social Services
DVA	Department of Veterans' Affairs
ERO	equal remuneration order
GSS	General Social Survey
HAA	Housing All Australians
HAAG	Housing for the Aged Action Group
HHS	Haven; Home, Safe
JRS	Jesuit Refugee Services Australia
LGBTIQ+	Lesbian, Gay, Bisexual, Transgender, Intersex and Queer
MAV	Municipal Association of Victoria
MIZ	mandatory inclusionary zoning
NACCHO	National Aboriginal Community Controlled Health Organisation
NATSILS	National Aboriginal and Torres Strait Island Legal Services
NATSISS	National Aboriginal and Torres Strait Islander Social Survey
NCC	National Construction Code
NDIS	National Disability Insurance Scheme
NGO	non-governmental organisation
NHFIC	National Housing Finance and Investment Corporation
NHHA	National Housing and Homelessness Agreement
NHIF	National Housing Infrastructure Facility
NIHG	National Indigenous Housing Guide
NMHC	National Mental Health Commission
NOWHHWG	National Older Women's Housing and Homelessness Working Group
NPA	national partnership agreement
NPARIH	National Partnership Agreement on Remote Indigenous Housing
OECD	Organisation for Economic Cooperation and Development
PIAC	Public Interest Advocacy Centre
PRADS	Permanent Rental Affordability Development Solution

RANZCP	Royal Australia and New Zealand College of Psychiatrists
RMIT	Royal Melbourne Institute of Technology
SACS	Social, Community and Disability Services
SDA	specialist disability accommodation
SHS	specialist homelessness service
SHM	Sacred Heart Mission
SHSC	Specialist Homelessness Services Collection
SHSN	Southern Homelessness Services Network
SRSS	status resolution support services
TCAC	Tangentyere Council Aboriginal Corporation
VACCA	Victorian Aboriginal Child Care Agency
VCOSS	Victorian Council of Social Services
YACSA	Youth Affairs Council of South Australia
YWCA	Young Women's Christian Association

the Australian Government could accelerate the adoption of the model through funding agreements with states and territories.¹³⁰

- 4.156 While not specifically targeted to community housing, another example was the Permanent Rental Affordability Development Solution (PRADS) model, proposed by the private-sector not-for-profit organisation Housing All Australians (HAA). According to HAA:

The purpose of creating the PRADS model is to maximise the involvement of the private sector in delivering affordable rental housing, by acknowledging and mitigating the risks normally considered part of the development process. Over the medium term, this should result in the delivery of affordable housing becoming part of a [developer's] normal business.¹³¹

- 4.157 The PRADS model works via an agreement between a developer and the relevant local government, under which the local government accelerates or amends the development approval process, with the saving to the developer passed on through the provision of an agreed number of dwellings at an agreed percentage below market rent.¹³²

- 4.158 Mr Robert Pradolin from HAA explained the arrangement to the Committee in the following terms:

...where a developer says, 'Local government, you've got the levers to actually add huge value in terms of planning. You've got the levers to actually accelerate time and save money. If we work together collaboratively and you save some of that money or give me extra value, I will share some of that value with you and lock in affordable housing at a below-market rent for life that is at no cost to either federal, state or local government'.¹³³

- 4.159 In its submission, HAA said that the principles of the PRADS model had been applied in a development in Victoria.¹³⁴

- 4.160 However, Mr Pradolin explained that the model 'needs to be done at scale' and stressed the importance of attracting superannuation funds to invest in

¹³⁰ Homes for Homes, *Submission 55*, pp. 7-8.

¹³¹ Housing All Australians, *Submission 7.1*, p. 17.

¹³² Housing All Australians, *Submission 7*, pp. 6-7.

¹³³ Mr Robert Pradolin, Founder and Director, Housing All Australians Ltd, *Committee Hansard*, Canberra, 8 July 2020, pp. 34-35.

¹³⁴ Housing All Australians, *Submission 7*, p. 7.

affordable housing.¹³⁵ HAA recommended that the Australian Government work with HAA to ‘explore the scalability of the model’.¹³⁶

4.161 SYC, a not-for-profit housing provider, said that PRADS was ‘a creative and innovative proposal’.¹³⁷

4.162 The Victorian parliamentary inquiry into homelessness also considered the PRADS model, recommending that the Victorian Government further investigate the use of the model ‘to ascertain whether it is a practical and appropriate mechanism for increasing provision of affordable housing in Victoria’.¹³⁸

4.163 Speaking more generally, the Grattan Institute cautioned that there are limits to the extent to which private sector financing can meet a shortfall of government investment in social housing:

No amount of innovative financing can paper over the need for extra funding to boost the supply of social housing. Social housing provides heavily discounted rents to tenants, to assist them with their housing costs. And therefore government funding will be required to make up the shortfall between what tenants can afford to pay and the cost of acquiring land, building social housing, and maintaining it over the life of the asset.¹³⁹

Affordable Housing Bond Aggregator

4.164 In its submission to the inquiry, the Australian Government said it ‘recognises that greater private and institutional investment is needed to expand the community housing sector’. In 2018, the Government established the National Housing Finance and Investment Corporation (NHFIC) to operate the Affordable Housing Bond Aggregator (AHBA).¹⁴⁰

4.165 As outlined in Chapter 2, the AHBA provides loans to registered CHPs which can be used to acquire or construct new housing stock, maintain

¹³⁵ Mr Robert Pradolin, Founder and Director, Housing All Australians Ltd, *Committee Hansard*, Canberra, 8 July 2020, p. 33-36.

¹³⁶ Housing All Australians, *Submission 7*, p. 8.

¹³⁷ SYC, *Submission 80*, p. 7.

¹³⁸ Victorian Legislative Council Legal and Social Issues Committee, *Inquiry into Homelessness in Victoria – Final report*, March 2021, p. 321.

¹³⁹ Grattan Institute, *Submission 127*, p. 12.

¹⁴⁰ Department of Social Services (multi-agency submission), *Submission 57*, p. 25.

funding arrangements involving the Australian Government and state and territory governments.

- 4.243 The Committee acknowledges that a prerequisite for the successful design of Housing First initiatives is an adequate supply of affordable housing in which to accommodate homeless people before associated problems can be addressed. That issue is discussed further below.

Recommendation 30

- 4.244 The Committee recommends that the Australian Government, in making relevant funding agreements with state and territory governments and housing providers, incorporate the principles of 'Housing First', particularly for any priority groups identified in those agreements.**

Enhancing social housing

- 4.245 The Committee recognises the important role that social housing has in reducing the incidence and risk of homelessness, particularly among the most vulnerable in the community. The Committee also accepts that there is an ongoing need for both public housing and community housing to meet the needs of individuals and families in different life circumstances, and with different housing needs and requirements for other wrap-around services.
- 4.246 The Committee notes and supports the trend for state and territory governments to transfer management of state-owned housing to CHPs and the evidence that, in many circumstances, these arrangements can offer benefits to both governments and social housing tenants.
- 4.247 It is clear, however, that the availability of social housing has not kept up with demand and that, as a result, there is currently a significant shortfall of both public and community housing. Addressing this shortfall will be an important part of the collective response of all Australian governments to homelessness.
- 4.248 The Committee notes that provision of housing is primarily a state and territory responsibility, but also acknowledges the Australian Government's involvement: particularly through NHFIC and the AHBA, but also through the provision of CRA to tenants in community housing.
- 4.249 The Committee commends the AHBA as an important initiative which has enabled CHPs to strengthen their investments in new housing stock. The

Committee supports the increased funding made available to NHFIC in the 2020-21 Budget.

- 4.250 Further to this, in Chapter 2 the Committee has recommended that the Australian Government waive or refinance the historical housing-related debts of the states and territories, in exchange for investment in affordable housing including community housing and planning and zoning reform. If implemented, the Committee expects that this measure will further expand the funds available to CHPs to invest in new housing stock.
- 4.251 In addition, in Chapter 3 the Committee has recommended funding for emergency and crisis accommodation, which may ease the burden on social housing to provide short-term or transitional accommodation.
- 4.252 The Committee heard about innovative proposals such as the PRADS model, which seeks to attract private-sector investment in the construction of social and affordable housing. While the PRADS model involves local governments negotiating with developers, the Committee considers there is a role for the Australian Government to assist in the facilitation of its viability at a national scale.
- 4.253 While acknowledging the important work of NHFIC, the Australian Government should seek to identify additional opportunities to leverage private-sector investment to address the shortfall in social housing, including from superannuation funds.

Recommendation 31

- 4.254 The Committee recommends that the Australian Government, in consultation with state, territory and local governments, seek to increase affordable housing supply when land is rezoned for residential development, through the introduction and harmonisation of inclusionary planning approaches across Australia.

Recommendation 32

- 4.255 The Committee recommends that the Australian Government, through the National Housing and Finance Investment Corporation, investigate opportunities for attracting greater private-sector investment in social and affordable housing, including from superannuation funds.
- 4.256 Finally, recognising that there is a limited amount of social and affordable housing, the Committee considers there is a need for additional measures to ensure that this housing stock is allocated efficiently.

A. List of submissions

- 1 Dr. Simon Quilty
- 2 Ms Jan Lacey
- 3 Mr Benjamin Cronshaw
- 4 Saint Benedicts Homeless Foundation Limited
- 5 City Futures Research Centre
 - 5.1 Supplementary
- 6 Dr Olav Nielssen
- 7 Housing All Australians
 - 7.1 Supplementary
 - 7.2 Supplementary
- 8 Jesuit Social Services
- 9 cohealth
- 10 Shelter SA
- 11 End Street Sleeping Collaboration
- 12 Justice Health Unit, University of Melbourne
- 13 Ruah Community Services & St Bart's
- 14 SANE Australia
- 15 Blue Sky Community Services
- 16 David Hale
- 17 Bolton Clarke Homeless Persons Program
- 18 City of Darwin

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- 19 Dementia Australia
 - 20 Young People Ahead Youth and Community Services Inc.
 - 21 Victorian Public Tenants Association
 - 22 Australian Human Rights Commission
 - 23 Civil Liberties Australia
 - 23.1 Supplementary
 - 24 Young Crisis Accommodation Centre
 - 25 St John's Crisis Centre
 - 26 *Confidential*
 - 27 Exodus Foundation
 - 28 Tamworth Family Support Service
 - 29 Coast Shelter
 - 30 Emerging Minds
 - 31 City of Sydney
 - 32 Compass Housing Services Co Ltd
 - 33 IFYS (Integrated Family and Youth Service)
 - 34 Professor Thalia Anthony
 - 35 Mercy Foundation
 - 36 YACSA (Youth Affairs Council of South Australia)
 - 37 Dr Duncan Rouch
 - 38 Shelter TAS
 - 39 Australian Institute of Health and Welfare
 - 39.1 Supplementary
 - 40 Equality Rights Alliance
 - 41 eS4W (economic Security4Women)
 - 42 Sacred Heart Mission
 - 43 The Constellation Project
 - 43.1 Supplementary
 - 44 City of Hobart

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- 45 Housing With Dignity
- 46 McAuley Community Services for Women
- 47 Launch Housing
- 47.1 Supplementary
- 48 YWCA Australia
- 49 Australian Specialist Homelessness Legal Services
- 50 LawRight
- 51 Women's safety Services of Central Australia (WoSSCA)
- 52 Central Australian Aboriginal Family Legal Unit (CAAFLU)
- 53 Pride Foundation Australia
- 54 Mornington Peninsula Shire Council
- 55 Homes for Homes
- 56 Mr Corey Allen CF APM
- 57 Department of Social Services (multi-agency submission)
- 57.1 Supplementary
 - 57.2 Supplementary
 - 57.3 Supplementary
 - 57.4 Supplementary
 - 57.5 Supplementary
- 58 Positive Life NSW
- 59 Kids Under Cover
- 60 Domestic Violence Victoria
- 61 *Name Withheld*
- 62 Northern Territory Government
- 63 Forcibly Displaced People Network
- 64 Southern Downs Regional Council
- 65 City of Whittlesea
- 66 Unison Housing
- 67 Australian Local Government Association
- 67.1 Supplementary

- 68 Per Capita
- 69 Australian Research Council Centre of Excellence for Children and Families over the Life Course
- 70 The Salvation Army
 - 70.1 Supplementary
- 71 HammondCare
- 72 Council of Single Mothers and their Children (CSMC)
- 73 Ms Emma Perske
- 74 Hope Street Youth and Family Services
- 75 Lord Mayor's Charitable Foundation
- 76 National Council of Women Australia
- 77 Australian Community Support Organisation
- 78 Australian Community Safety & Research Organisation (ACRO)
- 79 City of Adelaide
- 80 SYC
- 81 Australian Bureau of Statistics
 - 81.1 Supplementary
 - 81.2 Supplementary
- 82 Queensland Nurses and Midwives' Union (QNMU)
- 83 Council of Capital City Lord Mayors
 - 83.1 Supplementary
- 84 Central Australian Aboriginal Congress
- 85 SEARMS Aboriginal Corporation
- 86 National Shelter
 - 86.1 Supplementary
- 87 Women's Legal Service Qld
- 88 South Port Community Housing Group
- 89 Community Housing Industry Association
- 90 Australian Alliance to End Homelessness
- 91 Melbourne City Mission

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- 92 Mental Health Association Central Australia
- 93 Link Housing
- 94 Australian Housing Initiative
- 95 Miss Tracey Hoolachan
- 96 Youth Off The Streets
- 97 Australian Women Against Violence Alliance
- 98 *Name Withheld*
- 99 Adelaide Zero Project
- 100 Wintringham
- 101 CatholicCare NT and University of South Australia
- 102 Northern Territory Mental Health Coalition
- 103 Flat Out
- 104 liveWELL CQ
- 105 ACOSS (Australian Council of Social Services)
- 106 Mr Jackson Ho
- 107 Wayside Chapel Foundation
- 108 National Older Women's Housing and Homelessness Working Group
- 109 Women's Legal Service NSW
- 110 Royal Australian and New Zealand College of Psychiatrists (RANZCP)
- 111 Housing for the Aged Action Group - LGBTI working group
- 112 Northern Sydney Housing & Homelessness Collaboration
- 113 Community Housing Industry Association QLD
- 114 Community Restorative Centre
- 115 Public Interest Advocacy Centre
- 116 B Miles Women's Foundation
- 117 Anglicare WA
- 118 Brisbane Youth Service
- 119 Justice Connect
- 120 Jesuit Refugee Service

- 121 NT Shelter
 - 121.1 Supplementary
- 122 Wentworth Community Housing
- 123 Wollongong Emergency Family Housing
- 124 WA Commissioner for Children and Young People
- 125 Wellways Australia
- 126 Victorian Aboriginal Child Care Agency (VACCA)
- 127 Grattan Institute
- 128 CISVic (Community Information & Support Victoria)
- 129 Youth Affairs Council Victoria
- 130 Haven; Home, Safe (HHS)
 - 130.1 Supplementary
- 131 Centre for Social Impact (CSI)
- 132 Homelessness NSW
- 133 St Vincent's Health Australia
- 134 PowerHousing Australia
- 135 Canberra Community Law
- 136 Northern Territory Council of Social Service (NTCOSS)
- 137 Mission Australia
- 138 Housing for the Aged Action Group
- 139 Australian Housing and Urban Research Institute (AHURI)
- 140 Everybody's Home
- 141 Social Futures
- 142 St Vincent de Paul Society National Council of Australia
- 143 St Benedict's Community Centre
- 144 Homelessness Australia
- 145 Shelter WA and WA Alliance to End Homelessness
- 146 City of Boroondara
- 147 Queensland Youth Housing Coalition

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- 148 Southern Youth and Family Services
- 149 National Health Leadership Forum (NHLF)
- 150 ACT Government
- 150.1 Supplementary
- 151 Yfoundations
- 152 Economic Justice Australia
- 153 Victorian Council of Social Services (VCOSS)
- 154 Castan Centre for Human Rights Law
- 154.1 Supplementary
- 155 Barwon South West Homelessness Network (VIC)
- 156 Melbourne Medical School - University of Melbourne
- 157 Tenants' Union of NSW
- 158 Western NSW Community Legal Centre and Western Women's Legal Support
- 159 Municipal Association of Victoria (MAV)
- 160 Danila Dilba Health Service
- 161 Australian Association of Social Workers (AASW)
- 162 National Aboriginal and Torres Strait Islander Housing Authority (NATSIHA)
- 163 Tabitha Lloyd
- 164 Queensland Shelter
- 165 Tangentyere Council
- 165.1 Supplementary
 - 165.2 Supplementary
- 166 National Aboriginal Community Controlled Health Organisation (NACCHO)
- 167 City of Port Phillip
- 168 Inner South Rooming House Network
- 169 City of Melbourne
- 170 Aboriginal Peak Organisations of the Northern Territory (APO NT)

- 171 *Name Withheld*
- 172 National Mental Health Commission
- 173 Anglicare Australia
- 174 Barnardos Australia
- 175 National Rural Women's Coalition
- 176 Community Connections
- 177 Quantum Support Services
- 178 Government of Western Australia
- 179 Tasmanian Government
 - 179.1 Supplementary
- 180 Mallee Family Care
- 181 Older Women's Network NSW
- 182 Victoria Police
- 183 NXT TEC Ltd
- 184 Sarah
- 185 *Confidential*
- 186 *Confidential*
- 187 *Confidential*
- 188 National Housing Finance and Investment Corporation
- 189 National Aboriginal and Torres Strait Islander Legal Service (NATSILS)
- 190 Southern Homelessness Services Network (SHSN)
- 191 Association of Superannuation Funds of Australia Limited (ASFA)
- 192 Eastern Homelessness Service System Alliance (EHSSA)
- 193 Mr Clayton Silverlock
- 194 Regional Local Government Homelessness & Social Housing Charter Group
- 195 Australian National Audit Office
- 196 Upstream Australia and 17 other organisations
- 197 Queensland Government
- 198 *Name Withheld*

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- 199** Youth2 Alliance
- 200** Victorian Government
- 201** Victorian Gay & Lesbian Rights Lobby and three other organisations

B. List of public hearings

Tuesday, 7 July 2020 - Canberra

Department of Social Services

- Mr Shane Bennett, Acting Deputy Secretary, Social Security
- Mr Troy Sloan, Group Manager, Housing and Homelessness
- Mr Sidesh Naikar, Branch Manager, Housing and Homelessness Policy

Services Australia

- Ms Caroline Manning, Acting National Manager, Social Work Services
- Ms Kirsty Faichney, General Manager, Families, Child Support, Veterans & Partnerships

National Indigenous Australians Agency

- Mr Blair Exell, Deputy Chief Executive Officer
- Mr Ryan Bulman, Group Manager, Economic Policy and Programs

Australian Institute of Health and Welfare

- Dr Gabrielle Phillips, Head, Housing and Specialised Services Group

Australian Bureau of Statistics

- Mr Stephen Collett, Program Manager, Indigenous and Social Information

Australian Housing and Urban Research Institute

- Dr Michael Fotheringham, Chief Executive

Australian Council of Social Service

- Ms Jacqueline Phillips, Director of Policy and Deputy Chief Executive Officer
- Dr Peter Davidson, Principal Adviser

Per Capita

- Ms Emma Dawson, Executive Director
- Dr John Falzon, Senior Fellow
- Ms Abigail Lewis, Research Associate

Grattan Institute

- Mr Brendan Coates, Household Finances Program Director

Wednesday, 8 July 2020 - Canberra

Homelessness Australia

- Ms Jenny Smith, Chair
- Ms Katherine McKernan, Deputy Chair

Mission Australia

- Ms Marion Bennett, Executive, Practice, Evidence and Impact
- Dr Evelyne Tadros, State Leader, New South Wales Metro

National Shelter

- Mr John Engeler, Chief Executive Officer; Deputy Chair, Shelter New South Wales
- Mr Adrian Pisarski, Executive Officer

St Vincent de Paul Society

- Mr Toby oConnor, Chief Executive Officer, St Vincent de Paul Society National Council
- Mr Brian Murnane, Chief Executive Officer, Amelie Housing Ltd

The Salvation Army Australia

- Ms Livia Carusi, General Manager, Homelessness
- Major Jenny Begent, Head of Department, Social Mission
- Major Paul Hateley, Head of Government Relations

Housing All Australians Ltd

- Mr Robert Pradolin, Founder and Director

The Constellation Project

- Ms Jacqui Jones, Executive Director
- Professor Kristy Muir, Governance Group Member; Chief Executive Officer, Centre for Social Impact

Homes for Homes

- Mr Gavin Jackman, Adviser

Wednesday, 29 July 2020 - Canberra*Australian Local Government Association*

- Ms Liz de Chastel, Senior Policy Adviser

Local Government Association of the Northern Territory

- Mr Peter McLinden, Director, Transport and Infrastructure Services

Council of Capital City Lord Mayors

- Mayor Sally Capp, Lord Mayor of Melbourne
- Mayor Clover Moore, Lord Mayor of Sydney
- Mr Barney Wilson, Team Leader City People, City of Melbourne
- Ms Gowan Vyse, Manager, Social Policy and Programs, City of Sydney

National Housing Finance and Investment Corporation

- Mr Nathan Dal Bon, Chief Executive Officer

The Association of Superannuation Funds of Australia

- Mr Julian Cabarrus, Director of External Affairs and Strategy
- Mr Andrew Craston, Director of Economics

Department of the Treasury

- Ms Vicki Wilkinson, Division Head, Social Policy Division
- Ms Carla Adami, Manager, Housing Policy Unit, Social Policy Division

Department of Veterans' Affairs

- Ms Liz Cosson, Secretary
- Ms Kate Pope, Acting Deputy President, Repatriation Commission

Australian National University Centre for Social Research and Methods

- Professor Matthew Gray, Director
- Professor Nicholas Biddle, Associate Director

Loddon Mallee Housing Services Trading as Haven; Home, Safe

- Ms Trudi Ray, Chief Operations Officer

Thursday, 30 July 2020 - Canberra

Tenants' Union of NSW

- Mr Leo Patterson Ross, Chief Executive Officer
- Dr Jemima Mowbray, Policy and Advocacy Coordinator

Community Housing Industry Association

- Ms Wendy Hayhurst, Chief Executive Officer
- Ms Rebecca Pinkstone, Chief Operations Officer, Bridge Housing Limited

Australian Alliance to End Homelessness

- Mr David Pearson, Chief Executive Officer
- Ms Karyn Walsh, Director
- Mr Scott Richards, Peer Support Officer, Neami National
- Mr James Gant, Volunteer, Neami National
- Ms Michelle Swindle, Private capacity

Tangentyere Council Aboriginal Corporation

- Mr Michael Klerck, Social Policy Manager

Wintringham

- Mr Bryan Lipmann, Chief Executive Officer
- Ms Jane Barnes, Chief of Staff

Northern Territory Government

- Ms Karen Walsh, Acting Deputy Chief Executive Officer, Department of Local Government, Housing and Community Development
- Ms Christine Fitzgerald, Executive Director, Strategy, Policy and Performance, Department of Local Government, Housing and Community Development

NT Shelter Inc.

- Mr Peter McMillan, Executive Officer
- Mr John McBryde, Vice-Chair

Friday, 7 August 2020 - Canberra*ACT Government*

- Ms Louise Gilding, Executive Group Manager, Housing ACT
- Mr Shane Nielsen, Executive Branch Manager, Policy and Business Transformation, Housing ACT
- Ms Caroline Stevens, Acting Senior Director, Housing and Homelessness Strategy and Policy, Housing ACT
- Ms Michelle Anderson, Assistant Director, Homelessness Services, Housing ACT

Tasmanian Government

- Mr Peter White, Deputy Secretary, Housing, Disability and Community Services, Department of Communities Tasmania
- Ms Jessemy Stone, Director, Housing Programs, Housing, Disability and Community Services, Department of Communities Tasmania

Inner South Rooming House Network

- Ms Kate Incerti, Co-Convenor
- Ms Maurya Bourandanis, Community member and Adviser

Australian Bureau of Statistics

- Mr Stephen Collett, Program Manager, Indigenous and Social Information

Victorian Aboriginal Child Care Agency

- Adjunct Professor Muriel Bamblett AO, Chief Executive Officer
- Ms Necia Stanton, Practice Leader for Nugel

Sacred Heart Mission

- Ms Cathy Humphrey, Chief Executive Officer
- Ms Olivia Killeen, Policy Officer



Appendix F Before and After Photos of the Garden House



