



## Housing All Australians

**Submission to the Inquiry into Housing Australia Future Fund Bill 2023 [No. 2] National Housing Supply and Affordability Council Bill 2023 [No. 2] and the Treasury law Amendment (Housing Measures No. 1) Bill 2023 [No. 2]**

August 2023

## DETAILS

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**From:** Housing All Australians Ltd  
(DGR 1 PBI registered charity)

**Submission request:** To work with the Federal Government in exploring private sector led initiatives.

**Financial request:** \$ NIL - partnership

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## SUBMISSION OVERVIEW

Housing All Australians (HAA) is a business led initiative looking at housing and homelessness through an economic rather than social lens. Our partners include businesses and organisations concerned about the increasing level of homelessness, and how the lack of housing will impact the economic future of Australia.

The 2021 National Housing Finance Investment Corporation (NHFIC) review by Chris Leptos AM quantified the shortfall on housing investment at \$290 billion. This is a national issue with significant repercussions across society especially future generations. It is too great a crisis for government to solve alone. Business, our superfunds and the general community need to be educated on the trajectory Australia is heading, and importantly, engaged to help support the creation of an investment pipeline to build more homes and stop an intergenerational economic and social timebomb from developing. Australia's superfunds need to be encouraged to redirect billions of dollars **they currently invest in housing people in other countries**, back into housing Australians. However, to achieve this, the superfunds need to achieve a reasonable return for the risk.

This submission looks at the short, medium and long term and outlines a number of the private-sector led initiatives, some that are currently underway, in an attempt to help vulnerable Australians. HAA is not prepared to wait for government anymore. There is too much at stake and the time for talking is over.

However, these initiatives could be accelerated by a Federal Government intent on wanting to make an immediate impact on starting to address Australia's housing crisis. We must address some of the immediate issues, otherwise the level of homelessness will "go through the roof" with the arrival of the 300,000 skilled immigrants over the next couple of years. We cannot just turn on a tap and produce housing for these workers.

As will become evident in this submission, some of these initiatives have already been publicly submitted in previous Federal and State Inquiries with both independent committee's encouraging further exploration of our models and initiatives. We hope the contents of this submission forms the basis of further discussions and a desire to collaborate with value aligned private sector organisations.

This submission details the following initiatives which are explained in more detailed within the document.

- 1 The results of economic studies undertaken by Housing All Australians demonstrating the sound business case that sits behind housing all Australians, as a mitigant to longer term economic (read taxpayer) costs. Called the *Give Me Shelter* series of economic reports, they outline the long-term costs to Australia if sufficient housing is not provided.
- 2 The utilisation of "existing infrastructure" in the form of vacant buildings awaiting their next development cycle as short-term response, providing additional transitional shelters for vulnerable Australians.
- 3 Further utilisation of "existing infrastructure". This time the spare rooms in existing households, as another short-term response to providing immediate accommodation for some of Australia's workforce close to where they serve society.
- 4 The development and implementation of a private-sector led affordable housing model that is able to provide below rent to qualified people. The potential of the



model was identified by the 2021 Federal Inquiry into Homelessness and the Victorian Inquiry into Homelessness as worthy of further exploration. As part of this model, the development of an Affordable Housing Register (AHR) which will be able to monitor compliance of all stakeholders and therefore unlock private sector capital that will drive the delivery of affordable housing.

- 5 Utilising existing rental properties owned by concerned Australians that are happy to rent at below market rents to qualified individuals and families. This would be done through value aligned members of the real estate industry and utilising existing distribution channels and can be monitored on the AHR.
- 6 The creation of a Housing Australia Innovation hub. Modelled on the [Internationale BauAusstellung – or Building Exhibition \(IBA\)](#), IBA Australia will be a national initiative informed by the learnings of IBA Melbourne, which was established in 2017 as the first IBA outside Europe. Based on housing research (incorporating the Australian Housing and Urban Research Institute - AHURI), IBA Australia has the potential to be a federal initiative encouraging innovation by working with the private sector, universities and state governments in creating on the ground demonstration projects.
- 7 A macro-economic reform for Australia that considers the establishment of a “progress payments system” for the construction of midrise residential buildings, like what currently exists in the building of domestic homes, for the construction of multi-storey residential apartments. This will ultimately result in lower finance costs for consumers and also help them by alleviating current banking shortfalls that are experienced by some due to delayed settlements. .

At Housing All Australians, we know we do not have all the solutions. Australia’s housing crisis has taken decades to create and will take decades to solve if we are serious about providing a better future for Australia. Let's be bold. Let's step outside our comfort zones. Let's establish some audacious goals that the entire country can support and give it our best shot. The only thing we have to lose is the future we want for our grandchildren.

## ABOUT HOUSIJNG ALL AUSTRALIANS (HAA)

**VISION:** HAA’S vision is An Australia where everyone has a stable place to call home whether they are rich or poor.

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

**OUR DIFFERENCE:** Unlike most housing charities in Australia, HAA is a private sector, business-led initiative (PBI & DGR1), examining the economic impacts of housing and homelessness. We challenge the status quo to bring sensible and meaningful change to existing government policies at a local, state, and federal level – on behalf of the future generations of Australians. We do not expect government to solve this challenge alone. This is our collective problem. And that includes business.

HAA is becoming a conduit for value-aligned private-sector organisations that want to help vulnerable Australians.

**INNOVATION:** HAA thinks outside the box by developing new solutions to existing problems. With an intimate understanding of the economic drivers of the development industry, HAA uses this knowledge in a way that satisfies industry and achieves the public policy objectives. Too often policy, is written without a clear understanding how an industry will practically respond. This normally results in unintended consequences.

**LEAN AND EFFECTIVE:** Launched in 2019, HAA is a “virtual” organisation that has PBI and DGR1 status, but no physical office. HAA is now established in every state and territory, (except the NT at this point in time) and is currently 100% volunteer-led with pro-bono support from the private sector.

**WHY HAA EXISTS:** Historically, discussions about affordable, social, and public housing, have been perceived as largely a social issue championed by charity and not-for-profit (NFP) organisations. HAA exists to facilitate a private sector voice and shift the discussion around public, social and affordable housing away from its perception as being “just housing”, towards the true economic impact on Australian society. Just like roads, schools, or hospitals, HAA sees public, social and affordable housing as fundamental economic infrastructure, which provides the foundations for a future prosperous Australia.

HAA is a private sector initiative and a “for purpose” organisation that views housing and homelessness through an economic and commercial lens. It is repositioning the housing discussion as both an economic and social issue for Australia. Given the scale of housing investment identified in the NHFIC Review as \$290 billion, unless solutions are at scale and are economically viable, they will never drive the production of new housing stock that Australia so badly needs to mitigate the long term implications to future generations.

**WHAT WE DON’T DO:** HAA does not provide wrap-around homelessness services to those in need. We focus on bringing private sector organisations together to fit out vacant spaces, try new ideas, and create alternative housing models to unlock new housing supply.



We partner with DGR1 support agencies such as the YWCA, Uniting and Salvation Army to provide the vital support services vulnerable Australians need.

## THE PROBLEM WE ARE ADDRESSING

Housing affordability, housing stress, the lack of affordable housing for key workers, the lack of sufficient public and social housing and the resulting increase in homelessness, is set to create a significant social and financial burden for a future Australia. The increasing level of homelessness is the canary in the coal mine of a much greater issue with our housing continuum. We can never expect to eradicate homelessness unless we solve the upstream supply of “non-market” housing. Non-market housing is defined as housing that is not economically viable for the private sector to deliver without a form of subsidy.

Australia has a housing continuum problem which is now affecting Australia’s economic productivity as the price of housing is now impacting on workers ability to find affordable accommodation close to where the businesses need their services:

- The Real Estate Institute of Australia (REIA) has found that housing affordability has been in decline for the past two decades and will continue to be an issue if household income does not increase. (August 2021 Media Release).
- Nationally, house prices soared 18.4 per cent in the year ended August 31, 2021 – the strongest annual growth rate in 32 years. (Core Logic 2021).
- According to the Housing Industry Association (August 2021), the COVID-19 crisis has spurred a faster deterioration in housing affordability in the regions amid a “rapid exodus” of population out of capital cities.
- A 2021 report by the Real Estate Institute of Australia (REIA) finds mortgage repayments for owner-occupiers have increased almost 180 per cent over the past 20 years, while household income has advanced by just 113 per cent.
- Our children are increasingly losing hope of ever owning their own home.
- In Australia, there are 175,000 people (as of June 2022) on the waiting list for social housing.
- Without addressing the entire housing continuum and making a significant investment in the delivery of social and affordable housing, including support for alternative housing models to increase the supply of both affordable private rental housing and shared equity models, homelessness in Australia will continue to increase.

## THE ECONOMIC COST TO AUSTRALIA OF NOT HOUSING ALL ITS PEOPLE

The *Give Me Shelter* economic series of reports.

Shelter is a fundamental human need, and without it, we have unintended human consequences that manifest itself in poor physical and mental health, increased family violence, policing, justice and eventually long-term welfare dependency. These outcomes have economic and social impacts to Australian society, as well as a significant impact to government budgets.

### Mitigating long-term societal costs

For its first report in the *Give Me Shelter* economic series, HAA commissioned an Australian-first study into the [long-term economic costs to Australia of not providing sufficient public, social and affordable housing](#) (see attachment A). The objective was to quantify the expected increase in future costs to governments (read taxpayers) and to identify the underlying business case for increasing investment in public, social and affordable housing in order to mitigate future costs. The lack of affordable housing is now impacting business with their inability to source essential and key workers close to employment opportunities due to high rents.

HAA believes that if business truly understands the economic and social implications to the future prosperity of Australia by not providing housing for all, then solutions will be found. But to ensure they are the right solutions, HAA believes that business needs to lead the conversation.

SGS Economics has estimated that by 2051, the additional annual taxpayer costs will reach \$25 billion per year (and growing). With the underlying benefit cost ratio being 2:1, a strong national business case exists behind mitigating these long-term taxpayer costs.

When comparing the resulting benefit cost ratio of 2:1 from to other nationally significant projects, we find it compares extremely well and often exceeds many other major infrastructure investments, including the Brisbane Metro (1.9:1), Melbourne Metro (1.5:1), Morley–Ellenbrook line Perth (1.1:1), M12 Motorway Sydney (1.8:1), Gawler Rail Line Electrification SA (1.1:1), Tasmanian Irrigation Tranche Two (1.6:1) and National Inland Rail (2.7:1).

### The cost of Veterans homelessness

For its second study in the *Give Me Shelter* economic series, HAA commissioned RPS (a Tetra Tech company) to undertake a ground breaking report on Veterans homelessness. [Entitled \*Give Me Shelter: Leave No Veteran Behind\*](#), the study found that if left unaddressed, the cost of veterans' homelessness alone to the Australian economy will reach \$4.6 billion over the next 30 years (see Attachment B)

HAA believe it is crucial that we acknowledge the future costs associated with the unintended consequences of failing to provide housing for those who are most vulnerable, such as our veterans.

Homelessness among service personnel is not just a personal tragedy but a collective failure of society. These brave men and women who have served their country with honour and sacrificed so much should never face the harsh realities of experiencing homelessness. Our



duty as a society is to ensure that veterans are provided with the support and resources they need to reintegrate into civilian life and have a place to call home.

*“Many of these veterans have risked their lives for our country and to protect our way of life, experiencing events that impact their mental health. We need to house these veterans not only because it makes economic sense, but importantly, because it is the moral thing to do,” RSL Australia President - Greg Melick.*

*Give Me Shelter: Leave No Veteran Behind* identified several risk factors contributing to veteran homelessness, including being single, unemployed, experiencing financial strain, physical injuries, disabilities, mental health issues, limited social connections, and a higher number of lifetime traumatic events.

The veterans that are most vulnerable to becoming homeless are those transitioning out of the armed forces, and those aged 35 or under. Close to 6,000 or 5.3% of Australia’s half a million current and former service personnel experienced homelessness in the past year, a rate nearly three times higher than that of the broader population.

However, the research by RPS found that only 1.1% of veterans access homeless support services, in contrast to 3.4% of the general population. *Give Me Shelter: Leave No Veteran Behind* also revealed that the **suicide rate among female veterans is 107% higher than the general population**, and nearly 30% higher for men, while the financial cost of all veteran suicides is estimated to total \$140 million annually.

RPS Chief Executive Officer – Australia Asia Pacific, Meegan Sullivan, whose team led the research said having access to the first ever Census data about military service has allowed Australia to examine the true human and economic costs of veteran homelessness in a way that was never possible before.

*“Veteran’s homelessness is a big issue, but it’s not an insurmountable one. With a better understanding of the numbers and factors that contribute, we can start investing as a community in solutions that support veterans to remain in housing, and stay happy and healthy,” RPS Chief Executive Officer Ms Sullivan said.*

*Give Me Shelter - Leave No Veteran Behind* provides, again, a very strong business case for governments, agencies, and communities to work together and collaborate on comprehensive strategies and initiatives that ensure no Australian is left without a home.

The *Give Me Shelter* series of reports will continue to clearly demonstrates that if we don't act now and address Australia’s housing needs, our grandchildren, and their descendants, will be left to confront the significant social and economic consequences.



## SHORT TERM SOLUTIONS

### “Pop Up” housing or Meanwhile Use

There is a significant housing need in Australia, and therefore, an opportunity for new and innovative affordable housing models (both rental and shared equity) to facilitate the funding, development, management and ownership of affordable housing by the private sector.

To produce more housing, Australia needs a shift in thinking to create new models to address the unaffordability that is present throughout the housing continuum.

Thousands of buildings across Australian cities stand vacant while many of our citizens experience homelessness. Often these buildings are fully serviced yet lay idle pending the outcome of lengthy planning and approval processes for redevelopment. Leaving them empty while thousands of Australians are homeless seems like a waste of a resource.

With the collaboration of an appropriate social services support agency, HAA knows many of these buildings can be re-purposed for short term shelter and used as crisis or transitional accommodation for people experiencing homelessness.

HAA has begun to achieve this aided by the good will that exists both in the property sector and business in general, and has attracted, and is attracting, value aligned corporates wanting to contribute their skills, products, and the expertise of their companies on a voluntary basis. These organisations and individuals see, and relate to, the purpose behind providing people with a basic roof over their heads. They are more than willing to use their extensive networks and experience across property development, management, and construction to help vulnerable Australians.

Australia’s first Pop Up Housing in Melbourne involved the repurposing of 32 rooms in a 52 room aged care facility that had been vacant for two years. HAA negotiated, with the building owner, CaSpa Care, an initial 2 year lease for a peppercorn rent with the YWCA.

Link to the ABC News Story:

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

Caspa Care subsequently agreed to grant a further 5 year lease (again, for a peppercorn rent) which continues to allow this facility to help many more vulnerable women, up until they have approval and funding for the sites future redevelopment. In the 4 years since its opening of *Lakehouse*, 125 women have used the facility as a safe place to get their life back in order ([see case study in link provided or in Attachment C](#)).

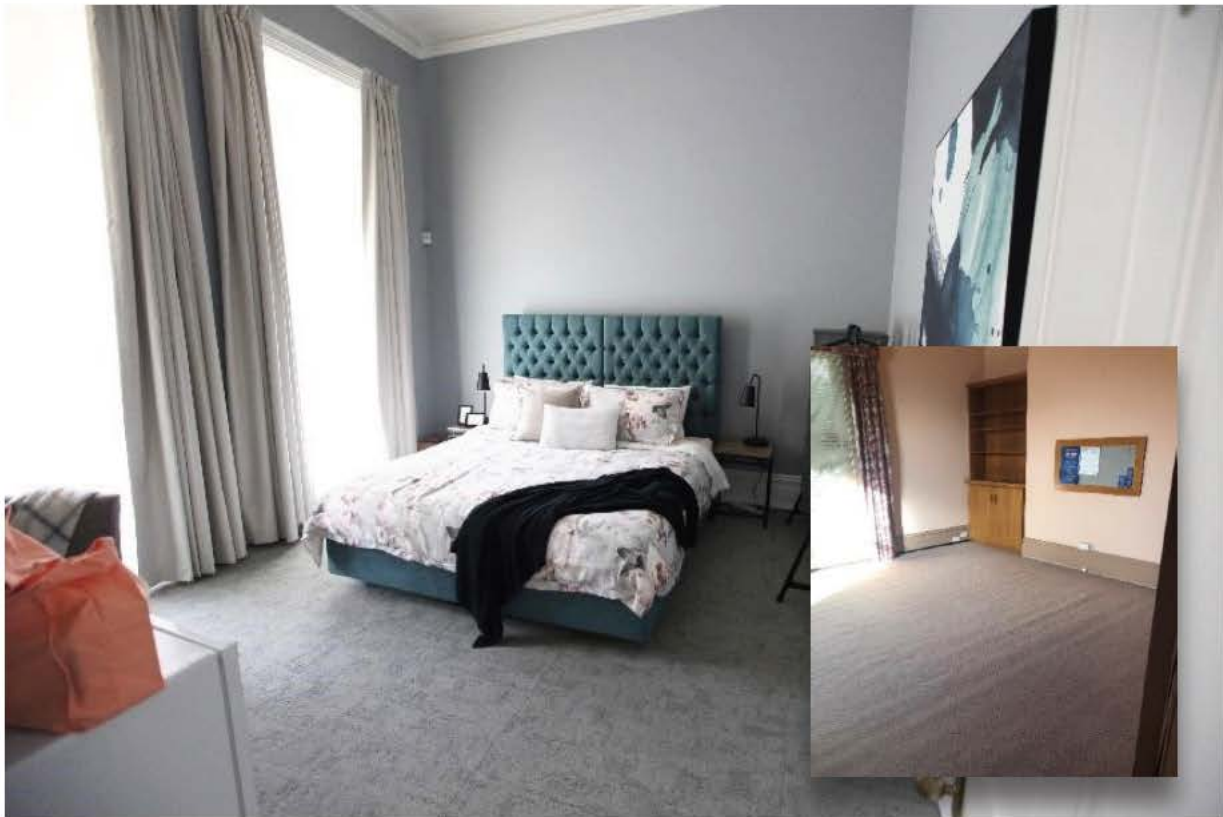
The most recent project was launch in August 2023. HAA and one of our value aligned builders, committed to the refurbishment of 31 empty apartments in South Melbourne for Southport Community Housing. This was filmed by A Current Affair and the link to the story is provided below:

[A CURRENT AFFAIR – AUGUST 2023 – HOUSING ALL AUSTRALIANS & BETTER LIVING GROUP](#)

Since the first Pop Up Shelter was launched in August 2018, HAA and our value aligned supporters have refurbished another empty building in the eastern suburbs of Melbourne,

and now have nearly 150 additional rooms, at different stages of refurbishment, both in Melbourne and Perth, and we are talking to building owners in other capital cities.

HAA believes there are thousands of buildings across Australia lying empty that can be used for short term transitional shelter while we build the homes our country needs.



**One of our refurbished rooms in the eastern suburbs of Melbourne**

Using empty rooms that sit vacant as another short-term using our “existing infrastructure”

Australia’s housing crisis is not going to be fixed overnight. Like the use of empty buildings sitting vacant as a short-term solution, there are 14 million empty room in existing housing that may have a role to play in providing Australia with a short term solution (2016 census).

It is acknowledged that not everyone would want to rent one of their spare rooms out, but even if we managed to unlock 1% of the 14 million rooms, it represents over 190,000 spare rooms being made available to essential workers close to where they serve society. Given the state of Australia’s housing crisis, which will get a significantly worse, unlocking some of these empty rooms would ease the pressure from our failing housing system, while we build the housing our country desperately needs.

We must have a short term solution to address the needs of today and having 14 million empty rooms and buildings sitting vacant while we have people sleeping rough is something that we need unlock and encourage its participation as part of a short term solution.



## MEDIUM TERM SOLUTIONS

### The PRADS Affordable Housing Model

HAA cannot stress enough that the solution to Australia's housing crisis is to address the entire housing continuum. The only state that has recognised this is Tasmania and this forms part of its Housing Strategy which will be released in last quarter of 2023.

To house all Australians will take a combination of increasing both home ownership and available rental stock. While the genesis of the HAA's Permanent Residential Affordability Development Solution (PRADS) model was to create affordable rental housing driven by collaboration between local government and the private sector. The principles can, however, also be applied to also create a shared equity alternative.

At the Federal Government inquiry into Homelessness (July 2021), HAA presented several of its initiatives, including the PRADS model. In its final report tabled under Recommendation 30, point 4.252, the Committee recognised the opportunity presented by HAA and stated:

*"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"*

HAA also presented its initiatives to the Victorian Government's Inquiry into Homeless in Victoria, and it also recommended to the State Government that it further explore further PRADS model and our Pop-Up Housing innovation. (see Attachment D for extracts of both committees' recommendations).

### PRADS model (rental)

The PRADS rental model targets a proportion of households experiencing rental stress that are not currently housed through state provided housing and registered housing agencies – *i.e. affordable housing not social housing*.

The outcome of the PRADS model is the creation of privately-owned rental housing, rented at below market rents to tenants or households that fall within prescribed low-moderate income brackets. The obligation is secured by a legal instrument registered against the title for the property for a minimum of 30 years and then monitored by HAA's Affordable Housing Register (AHR) which is being developed by PEXA (see below - *The PRADS affordable housing register (AHR) and unlocking private sector capital*)

The process is summarised as follows:

1. The developer and local government agree to work collaboratively to maximise the allowable planning outcome on the site. Based on the additional value created, they negotiate in good faith, the number of affordable dwellings that can be financially supported by the development and the percentage below market rent for which those dwellings can be rented in exchange for that planning outcome.

2. The obligation to rent the dwelling at an agreed percentage below the market rent, for a minimum of 30 years, is secured by way of a legal encumbrance registered against the title.
3. The developer is then able to sell the dwelling to investors (at a lower price due to the encumbrance) in the private market with an obligation for the investor to comply with a robust governance process which is monitored for local government by the AHR.
4. Through an approved property manager, the investor then rents the dwelling to eligible tenants.

The PRADS model is scalable with the potential to create a significant supply of long-term affordable private rental housing without the need for any ongoing government subsidy.

This model can work and is applicable for apartment projects and land subdivisions. It works on the commercial principle of value sharing some of the uplift created through the planning process.

Nightingale Housing used the principles of the PRADS model to negotiate with Merri Bek Council a Planning Scheme Amendment with two possible density outcomes. The higher density outcome was able to effectively fund an additional 10% affordable housing (from 5% to 15%) without financially impacting on the development's viability ([see case study in link provided or in Attachment E](#)).

The Urban Development Institute of Australia (UDIA) National Board supports the principles of the PRADS model and is happy to engage with the Federal Government and property industry to support this approach.

#### The PRADS affordable housing register (AHR) and unlocking private sector capital

It has taken decades to erode affordability to its current level, and it will take decades to reverse this trend. There is no quick fix. Key workers are no longer able to live close to where business and the community needs their services due to the lack of affordable rental housing. Government and industry now recognise this as a significant economic issue as business is unable to secure workers. And whilst business may want to help solve this crisis, they are not charities. The creation of affordable housing needs some form of subsidy to make it economically viable for it to be delivered. Unless we can unlock private capital, Australia will never solve its housing crisis.

Over the years, several attempts have been made to encourage the delivery of affordable housing through voluntary agreements with local government. However, this has had limited success, possibly due to the unfortunate distrust that has developed between local government and the development industry. Currently, the only way that federal, state and local government can ensure that any (subsidised) affordable housing remains affordable, is via the Community Housing Providers (CHPs), as are regulated in each state and territory by the [Housing Registrar](#).

With governments at all levels funnelling affordable housing through the CHPs, another unintended consequence results. Due to negative perceptions and potential impact on sales and rental yields, most developers, rightly or wrongly, do not want their project associated with "affordable or social housing" due to the current negative community sentiment. To move towards an "at scale" solution that includes the critical participation of the development industry, Housing All Australians has developed its own affordable housing model, the Progressive Residential Affordability Development Solution (PRADS).



This model uses the governance structure established by the National Rental Affordability Scheme (NRAS) which was introduced by the Rudd Government during the GFC to stimulate private sector construction activity. Whilst several aspects around NRAS have been highly criticised, it did demonstrate an interest from the market of investing in affordable housing. NRAS offered the market a mixture of tax incentives and cash payments that enabled investors to commit to offer the property at 80% of market rent to qualifying key workers for a 10-year period.

In formulating the PRADS model as an “at scale” solution encouraging private sector capital into affordable housing, a fundamental requirement was to establish a credible alternative to the Housing Registrar in terms of ensuring appropriate oversight over the affordable housing to ensure it remained affordable. This led to the development of a digital Affordable Housing Register (AHR).

The AHR will provide a centralised platform that records all affordable housing obligations and will enable local government to monitor the compliance of all stakeholders over the life of the commitment. It will ensure that developers, investors, owners, and tenants are undertaking their compliance obligations in accordance with agreed parameters.

In developing the AHR, it is acknowledged that for an “at scale” solution, local government does not have the resources to oversee all these commitments. Therefore, the AHR will be kept “management light” via the use of AI, with local government only being notified when non-compliance is detected. To ensure the AHR is functioning as intended in line with the approved governance process, the AHR will also be subject to an annual audit.

The AHR is being developed by PEXA, who have created the world-first digital settlement platform and has revolutionised the way that property is exchanged in Australia. PEXA is creating the AHR for HAA on a pro bono basis.

### *The Brief*

Affordable housing is generally classified as housing provided for key workers on low incomes. Public and social housing, however, are normally associated with a more complex set of individuals as tenants and typically come with a varying degree of support services.

Whilst the AHR will initially be developed to enable affordable housing to be delivered at scale by the private sector, consideration needs to be given for the AHR to eventually be extended to social housing.

### *The AHR Website*

A dedicated AHR website maintained to a professional standard. Through this website, all stakeholders, with appropriate authorisation, can securely access their specific properties for the purpose of monitoring and compliance. The website will need to provide access to local government, developers, investors, property managers and affordable housing tenants.

As a design principle, the AHR needs to be easy and intuitive to use by all stakeholders. Ongoing support and maintenance of the platform is also required and will include ongoing updates to the income eligibility criteria that may be made by government(s).

## *Content overview*

For clarity, the development of the AHR will only cover monitoring the compliance obligations of individual stakeholders and affordable housing obligations and will not be extended into the compliance issues associated with the built form.

The AHR will be required to store information in at least three different phases of a project:

- 1) **The Planning stage:** Where the commitment is negotiated between the developer and the local or state government. This may be a few years before the properties are actually delivered and tenanted. At this stage, the following information (potentially there are other criteria) would be required to be stored and referenced at a later stage.
  - a. Address of the development
  - b. The number of affordable homes
  - c. The eligibility criteria of tenants. This could be different in every LGA so provision for this individual flexibility is important. Even to the extent that in a specific LGA, different developments may have different eligibility criteria for key workers which the local government is targeting. This could include occupation.
  - d. The percentage below market rent that has been agreed.
  - e. The term of the commitment to provide the below market rent.
  - f. Be able to note that an appropriate instrument will be required to be registered on title reflecting the commitments made between the developer and local government.
  - g. To make things easy for local government, the planning permit will be transferred through an API to the AHR through the respective state and territory planning portals (where they exist). The AI which is inbuilt within the AHR will read the appropriate conditions in relation to affordable housing and set up the required criteria for future reference. In states and territories who do not have a planning portal, the AHR will need to be able to read the scanned planning permit documents.
- 2) **The Construction phase:** At this phase, the developer would have created a plan of subdivision (which may not yet be registered) and could have entered into a Contract of Sale with an investor for the delivery of a completed dwelling. This contract of sale must include the conditions agreed between the council and the developer as it is the new owner/investor (and future owner/investors) that will need to ensure compliance with the conditions. Provision needs to be made in the AHR for the developer to upload any Contract of Sale for an affordable home and the AHR, again through AI, needs to be able to verify that the conditions agreed with local government are included in the Contract of Sale. If there is a discrepancy, the AHR automatically notifies the local government.
- 3) **The Operational phase:** Voluntary affordable housing agreements negotiated between the local government and the developer can have varied timespans in which the affordable housing commitment must be honoured. This can span from as little as 10 years to 30 years and in some cases, in perpetuity. Given the longevity of these obligations, it is important the AHR is a secure, robust, and trustworthy platform.

In the operational phase, the stakeholders remaining relevant are the local government, the owner of the dwelling (an investor), the property manager and the tenant. Other than local government, each other party will have compliance obligations that must be strictly met. The AHR, will need to ensure that all the compliance information required is uploaded in accordance with the requirements and the pre-



determined timeframes. If any of the compliance obligations have not been met, the AHR notifies local government of a breach. Due to the notification process of a breach being on an exception basis, the AHR will be subject to an annual audit to ensure the platform is performing as required.

In addition to all the information previously identified, the AHR will incorporate the following (as a minimum):

- a) A paperless platform that allows all stakeholders to fill any required forms or information online. This includes the affordable rental application. (Copies of current paper-based forms that will need to be web based are attached in the Appendix A).
- b) Have full federal government approved cyber security protocols.
- c) With the expressed permission of the applicant, allow the automated uploading of information from the tenant including:
  - bank statements
  - income statements
  - Statutory Declarations as required.
- d) Allow an applicant to:
  - Receive a link with login details to enable them to complete the rental application online and attach the required documents through a step-by-step process.
  - The system will be able to process each financial statement provided and prompt the applicant/tenant to submit any missing bank statement or document before allowing them to proceed to the next step of the rental application process.
  - By moving through the intuitive online process, the applicants will be able to verify their eligibility at the time of submitting their application through an automated pre-approval process. The property manager would automatically be notified of eligible applicants and will then be able to complete final tenant application approval process.
  - For existing tenants, annual eligibility review reminders will be automatically sent to prompt the tenant to provide the required information to ensure current eligibility which will be automatically assessed.
- e) Through an API with existing property management software, integrate the AHR with existing property management platforms so that once the property manager confirms the approval of tenant, the information is populated in the respective property management software to make the property management process seamless.
- f) Ensure the Statutory Declaration are legally signed.
- g) Process the eligibility criteria of tenants. This could be different in every LGA. The provision for this individual flexibility is important as each local government may have differing local needs and therefore different eligibility criteria for the key workers they are trying to attract.
- h) Copy of annual attestation by property manager noting:

- Affordable lease in accordance with the Residential Tenancy Act
  - Affordable Rents being paid no more than the agreed percentage of market rent.
  - Copy of Audit conducted every three years.
  - Valuation on market rent
  - Confirming tenants when initially occupying meet eligibility criteria and statutory declarations in place
  - All affordable leases are prepared and executed in accordance with the Residential Tenancy Act
  - Confirmation that the affordable leases are at the agreed level as negotiated with local government.
- i) The AHR will check all the above eligibility criteria against what was agreed and advise local government of any non-compliance by any stakeholder.

### *Governance*

A key requirement for the AHR is to have a robust governance process that can be trusted by all stakeholders including all levels of government. It ultimately needs to be beyond reproach.

As a starting point, the AHR will adopt the governance process established by the Federal and State governments for the NRAS which was established in 2008. The main difference is that with the AHR, the entire process will be done online eliminating the clumsy “hard copy” and emailed attachments which currently forms the main method of distributing the required compliance obligation.

### *Unlocking the “Mum and Dad” investor to deliver affordable housing.*

The Community Housing Providers (CHPs) are vital in providing housing for our most vulnerable. For CHPs to buy additional housing, however, they generally need a contribution of equity which is usually provided by the state and territory governments. With the size of Australia’s housing crisis, and given the deep subsidies needed for public and social housing, any available government funding should be focused on the provision of such housing including funding the important support services.

The reality is that government funding always has limits. It needs to balance a range of priorities that service a broad cross section of Australian society (voters) and our governments do not have an endless pool of available capital as some may suggest. When it came to the delivery of social and affordable housing, using CHP’s made sense as there was always a government subsidy involved and therefore a level oversight and monitoring was required and consequently provided by the Housing Registrar. The creation of an AHR changes the game as monitoring compliance obligations will now be able to be done using technology. This can now unlock access to private capital to help fund the national affordable housing shortfall (as opposed to public and social housing which should still remain the remit of government).

With compliance obligations now able to be monitored using the AHR, the equity needed to fund the affordable housing can now be sourced from the private market. The encumbrance which is placed on title will ensure that any prospective purchaser continues to be obligated



to offer the dwelling at the below market rent in accordance with the original negotiated conditions. Housing All Australians believes this is a game changing initiative that will help drive the delivery of affordable housing across Australia.

#### *Engagement with the banking sector*

Ensuring finance is available to investors is a key requirement for unlocking private capital. Through the development of the PRADS model, Housing All Australians has been engaging with executives from the Bendigo and Adelaide bank and discussing if any additional requirements would need to be could impose on this new asset class. In assessing the model, the encumbrance on title and rent to key workers at a % below market rent, the bank concluded that homes delivered under the PRADS model would be well qualified for debt funding and they would be offered the same terms and conditions as other investment property. In fact, with further evolution of the type of encumbrance that is placed on title, the bank executives believes that homes using the PRADS model will be able to reduce the banks mortgage risk and therefore be a very attractive investment proposition.

#### *Involvement of real-estate industry in managing affordable housing*

Australand, which was later acquired by Frasers Property Australia, used the NRAS to help sell apartments to “mum and dad” investors. Even though the prospective tenants were to be key workers, Frasers were concerned of the possibility that “the market” might perceive the occupants to be public or social housing tenants consequently having the potential to negatively impact future sales prices for subsequent stages of the development. To mitigate this risk, Frasers made the strategic decision to undertake the property management services. After 8 years of successfully managing NRAS properties, Frasers experience shows that private sector property managers, following a clear governance process, can manage affordable housing.

The significance of this “8 year pilot” means that, in combination with the AHR, affordable housing can be delivered across Australia, including regional areas, as long at the town has a real estate agent and access to the internet. No longer is the delivery of affordable housing limited to a location that could be serviced by a CHP.

#### *The Pilot AHR*

To ensure the requirements of local government are incorporated into the development of the AHR, the City of Port Philip and the City of Yarra (all Victorian councils at this stage) have agreed to participate in the working group.

To complete the connection between local government and a private sector developer, [HOME](#), a build-to-rent operator with affordable homes delivered as part of a broader market offering within the City of Yarra, has also agreed to be part of the pilot. Lend Lease is also very interested in the development of the AHR and has agreed to be part of the discussions.

Housing All Australians is discussing the AHR with the Municipal Association of Victoria (MAV) and intends to extend this engagement to the Australians Local Government Association (ALGA) to further expand the input from local government.

#### *The potential role of NHFIC, HAA and the PRADS model*

An independent review of NHFIC was completed by Chris Leptos AM and made publicly available in October 2021. The Report tabled a set of recommendations to the Federal Government including Recommendation 5 which stated that:

The Review recommends that NHFIC's Investment Mandate be amended to extend NHFIC the ability to lend to other not-for-profit providers of social and affordable housing that are not registered community housing providers, where it is satisfied that the risks of doing so are manageable.

The creation of the AHR, and its transparent and accessible governance process, allows the Federal Government the ability to monitor the compliance of all stakeholders and to step outside the box and explore the use of NHFIC funding to parties external to the CHP's. If Recommendation 5 is eventually accepted by the Federal Government and NHFIC's remit is extended to NFP organisations like HAA that are focused on providing affordable housing, the delivery of affordable housing across Australia would be greatly accelerated.

#### The real estate industry working with HAA to source vacant homes.

The real estate industry is also deeply concerned about housing affordability and its continued decline over the past two decades. Members of the Real Estate Institute Victoria have reached out to HAA and offered access to their networks, skills and services to help vulnerable Australians.

HAA sees the existing and national real estate agency network as another way of activating the private sector to help relieve our housing system via an existing distribution channel.

Vacant properties around Australia can be used to provide accommodation for people on low incomes. HAA is committed to finding suitable ways to unlock this underutilised housing stock with the support of property owners. We have also fielded requests from homeowners willing to lease their properties at below market rents to qualified people as a philanthropic gesture. However, under the current tax laws, these caring individuals are breaking the law if they are still deducting normal expenses (including interest) as the law expects every property owner to lease at market rent.

HAA is currently exploring ways this can be legitimatise, nationally, and have engaged one of its pro bono legal partners, Norton Rose Fulbright (NRF), to explore the Federal Tax Ruling that has been specifically issued to Launch & Bridge Housing, that enables an investor to legally rent their homes, at below market rents, to suitably qualified people and still qualify for the normal tax deductions applicable to an investment property. The objective is to use HAA's charity status, to scale a national approach that can utilise the existing real estate networks to help vulnerable Australians.



## LONG TERM SOLUTIONS

### *Progress Payments to build Multi Storey Apartments – the Singapore model.*

It is widely acknowledged that there are no silver bullets in solving Australia's housing crisis. Consequently, it will be made up of a myriad of different concepts and options, all playing a part in shifting Australia's housing market. In this context, we believe that one small, but significant step is to change the way apartment buildings are funded, through establishing the need (and illuminating the self-interest path) for regulatory and banking practice changes.

The objective of this initiative is to explore a new way to fund apartment developments in Australia that will ultimately lower the finance cost to consumers. This is particularly relevant at present and will become even more so as interest rates move higher.

This initiative works by utilising the funding principles behind the traditional House and Land Package and applying them to vertical apartment buildings. This will ultimately involve banks becoming comfortable in securing their interest via a charge over the pre-sale contract and a caveat on the title of the development site. Australian banks have already become accustomed to lending on a similar basis in Singapore, and it's time to bring this approach to Australia.

### *Outline of a Microeconomic Reform*

Currently in Singapore, a statutory provision exists for progress payments to be made to a builder by banks funding an individual purchaser during the course of construction of a high-rise building. This lowers the cost of finance as the purchaser borrows as a mortgagor of residential property (at an interest rate much lower than the rate for development finance) and on a full recourse basis. Access to this funding in the early phases of a project, reduces or can remove entirely, the need for the developer to obtain project finance. This is different to what currently happens in Australia where the developer secures a development loan from a bank (at a higher cost due to the risks involved including possible settlement defaults), engages and pays the builder and only receives payment when the project is complete and titles to the apartments are issued. To the extent that the equity needed by the developer for a project can be reduced, the requirement to generate a return on that equity is also reduced.

By receiving progress payments during construction, development risk is minimised, finance risk is reduced, and interest costs are lowered. Ultimately, this should lead to cost savings for an end purchaser. It also protects the purchaser from a negative change in market conditions (and the need to contribute further equity) as their individual loan is locked in when construction commences. This avoids the current dilemma facing purchaser's where, in a declining market, the banks are requesting additional funds (more equity) to be contributed by the purchaser to make up the shortfall between the current market value of their purchase and the face price of the original contract of sale which was executed (with bank approval) years earlier.

### *The current market*

The current national concern in respect to housing affordability makes it fertile ground to explore macro-economic reforms. Under the Singapore model, the additional risks faced by each individual bank providing a mortgage to individual purchasers is mitigated by:

- the developer needing to be registered and carry to carry developer Insurance;
- a requirement for the developer to maintain a specified surplus of assets over

liabilities;

- requiring an obligation to be secured under section 7.4 of the *Environmental Planning and Assessment Act 1979 (NSW)*, which requires that the land be used only for the project;
- setting up a regulatory authority to protect the interest of the purchasers in the event of failure of the developer;
- requiring the sales prices of the apartments to be backed by a professional valuation expressed in favour of the purchaser and the mortgagee;
- increasing the deposit paid by the purchaser and allow the mortgagee to require that the deposit be used first before the mortgagee advances any funds;
- requiring the project account to be maintained with a minimum balance and withdrawals closely supervised;
- requiring the presale contracts to contain a condition requiring the developer to enforce the building contract when it comes to defect rectification for a period of 12 months; and
- requiring the project account to remain open until all defects are rectified.

The above indicates a highly regulated environment with a focus on consumer protection. It does involve a level of governance to oversee the process, but it also initiates a requirement for the registration of suitably qualified developers, helping to ensure unqualified developers can't access what may be considered a highly lucrative funding model. This should result in a professional and consumer-focused approach by the qualifying developers.

#### IBA Australia – incubating housing innovation

IBA stands for Internationale BauAusstellung (IBA) and has been undertaking housing demonstration projects in Europe for over 50 years. The IBA incubates innovation through engagement of universities and architects with the private sector. The demonstration projects, once built, are open to the public for a defined period so that they can experience first-hand housing innovation.

In 2017, Melbourne University secured a working relationship with IBA (Europe) and supported by the state government, established IBA Melbourne.

An opportunity exists for the new Federal Government to launch *IBA AUSTRALIA* in parallel with concurrent IBA's in Vienna and the Parkstad region of the Netherlands. Both these European IBAs have multiple projects, outputs and activities taking place this year. Instigation of *IBA AUSTRALIA*, will provide the framework for a series of exhibitions, studios, publications and built demonstration projects to be implemented over the next 10 years.

While housing is a state and territory responsibility, an opportunity exists for the Federal Government to help incubate innovation through *IBA AUSTRALIA*, which can help to establish a national research agenda as well as an evidence base that invests in best practice and new ways of building and living. This could be a strong leadership position that encourages collaboration between the Federal and State and Territory Governments. More information about the proposed IBA Australia can be read in Attachment F.



### Can Tasmania be a pilot for Australia to end homelessness?

All political parties are aware of the housing and homeless crisis that our country is facing, and no State or Territory is immune from its economic impact and its social consequences.

The size of the housing problem confronting Australia was stated in the review of NHFIC in 2022 undertaken by Chris Leptos AO. Government actuaries quantified the shortfall of public, social and affordable housing as requiring an investment of \$290 billion. If this number was calculated by government actuaries (not politicians) then why don't we not use this as a target and then collaboratively, work a strategy out over the next 30 years to achieve that target? Why? Because the size of the number scares people (our politicians on both sides) as it seems too hard to achieve. So, the can is kicked further down the road for another generation to fix. And so, it goes on.

Housing All Australians believes it is time we all stop looking at government to fix a problem that belongs to all of us. And that include business.

So, if \$290 billion is too scary a target to achieve, why don't we break it down to a smaller number and undertake a pilot to see what we can learn and, if successful, let's use the learnings to apply to the rest of the country. Tasmania already serves as a testing ground for various products in the business world, so why not test housing policies there?

Housing All Australians believes that Tasmania is an excellent location to undertake a pilot and we highlight a number of reasons below.

- Tasmania is an Island State which makes it a great location to trial innovation.
- The Tasmania government has recognised that the solution to its housing crisis is to address the entire housing continuum. This is the fundamental building block of its Housing Strategy. The Tasmanian Housing Strategy is scheduled for public release in the last quarter of 2023.
- [The Tasmanian Government has already committed to providing 10 000 new social and affordable homes by 2032.](#)
- The current public housing waiting list in Tasmania is only around 4500 ([the ABC](#)). No other state has their waiting list lower than their housing target.
- The [Jacqui Lambie Network has pressured the Federal Government to agree to 1200 homes from the Housing Affordability Future Fund be directed to Tasmania](#) – double the state's original allocation – and [waive the state's social housing debt.](#)
- Homelessness in Tasmania has increased 44.8 % in five years – [the ABC](#). [“For renters, data consistently shows that Hobart remains the least affordable Capital City and ‘Rest of Tasmania’ remains the least affordable ‘rest of the state’ region in the country.](#)

With some additional the assistance by the federal government, ending homelessness in Tasmania is possible and it could pave the way for Australia to examine and measure the economic and social benefits of ending homelessness. By undertaking such a bold pilot, we could all benefit in the long term. It is time to be bold and have to have an ambitious goal. Ending homelessness in Tasmania is something we should try, and not die wondering.

However, it's crucial to understand that there are no quick fixes. Finland declared its ambitious goal of eradicating homelessness back in 2008 and is now well on its way to achieving it by 2027.

## OTHER INITIATIVES

### Unlocking private investment without selling public land

Government funds are finite. In the past, state governments have had to sell land holdings to fund the delivery of new social housing. During his role with Frasers Property Australia, HAA Founder, Rob Pradolin, was involved in securing the development of several high-profile government land sales that incorporated the delivery of social housing. This formed his view that to continue the sale of strategic government-owned sites is not in the long-term public interest.

However, all governments need to unlock private capital to help build social housing at scale. Build-to-Rent is an obvious solution, however, with high land costs, the current Built-To-Rent market is skewed towards the very high rental range. However, if government, moved towards a land lease model and provided government land on a 40-year lease with a peppercorn rent, the financial metrics significantly change, and the introduction of affordable housing becomes possible without using government funds. The investor only needs to get a return from the capital invested and if this does not include funding the land, then these costs can go towards subsidising the rents for key workers. And after 40 years, if the land is needed for other strategic purposes, the government gets the land and improvements back in public ownership.

This land lease model can also occur on federal government land (i.e. the Maribyrnong defence land in Victoria) with the added benefit that, being Crown land, it does not need approval through the traditional planning process.

And by reframing social and affordable housing as economic infrastructure, we can start to mobilise private sector capital in the infrastructure space needed to really make a difference at scale. This concept can also apply to land owned by church groups that are asset rich, but cash poor.

### UNDERCOVER - narrated by Margo Robbie

A documentary on Australian Women over 55 becoming homeless.

One of HAA's objectives is to share its knowledge with business and the public about the current significant shortfall of "nonmarket" housing and its connectedness with homelessness. RESPECTFUL UNREST

Recently, HAA participated in a documentary on how women over 50 years of age have become Australia's fastest growing cohort of homeless.

To maximise the impact of the documentary, the producers of the film secured the services of high-profile Australian actor Margot Robbie to be its narrator, and hopefully, increasing the level of public interest in the film.

A link to the documentary is available below for your private viewing.

### [UNDERCOVER documentary - narrated by Margot Robbie](#)

[\(if link is not accessible through PDF, please contact the writer and a separate link will be provided\)](#)



The film was released at the Melbourne International Film Festival on the 13<sup>th</sup> of August 2022 and then screened in cinemas in every state of Australia. In early 2023, it was shown on the ABC and had over 500,000 viewers. Since then, the documentary has had over 20 community screenings and Quest Apartment Hotels is continuing to support the documentary's promotion nationally. HAA is also currently working with a number of LGA's to facilitate further community screenings.

We would welcome the opportunity to screen this in Parliament House in Canberra.

## Conclusion

HAA is a private sector initiative looking at housing and homelessness through both a social commercial lens. We exist to facilitate a private sector voice and to shift the discussion and action around housing all Australians as an economic issue for a future prosperous Australia.

We would welcome the opportunity to work with the Federal Government and explore some of HAA's initiatives and engage the private sector in solving our growing housing crisis. This issue is too big for government to solve alone. We need to engage the private sector in finding ways to solve this problem.

Let's be bold. Let's step outside our comfort zones and trial some new things. Let's establish an audacious goal (like ending homelessness in one state – Tasmania) that we can all support and give it our best shot. The only thing we have to lose is the future we want for our grandchildren.