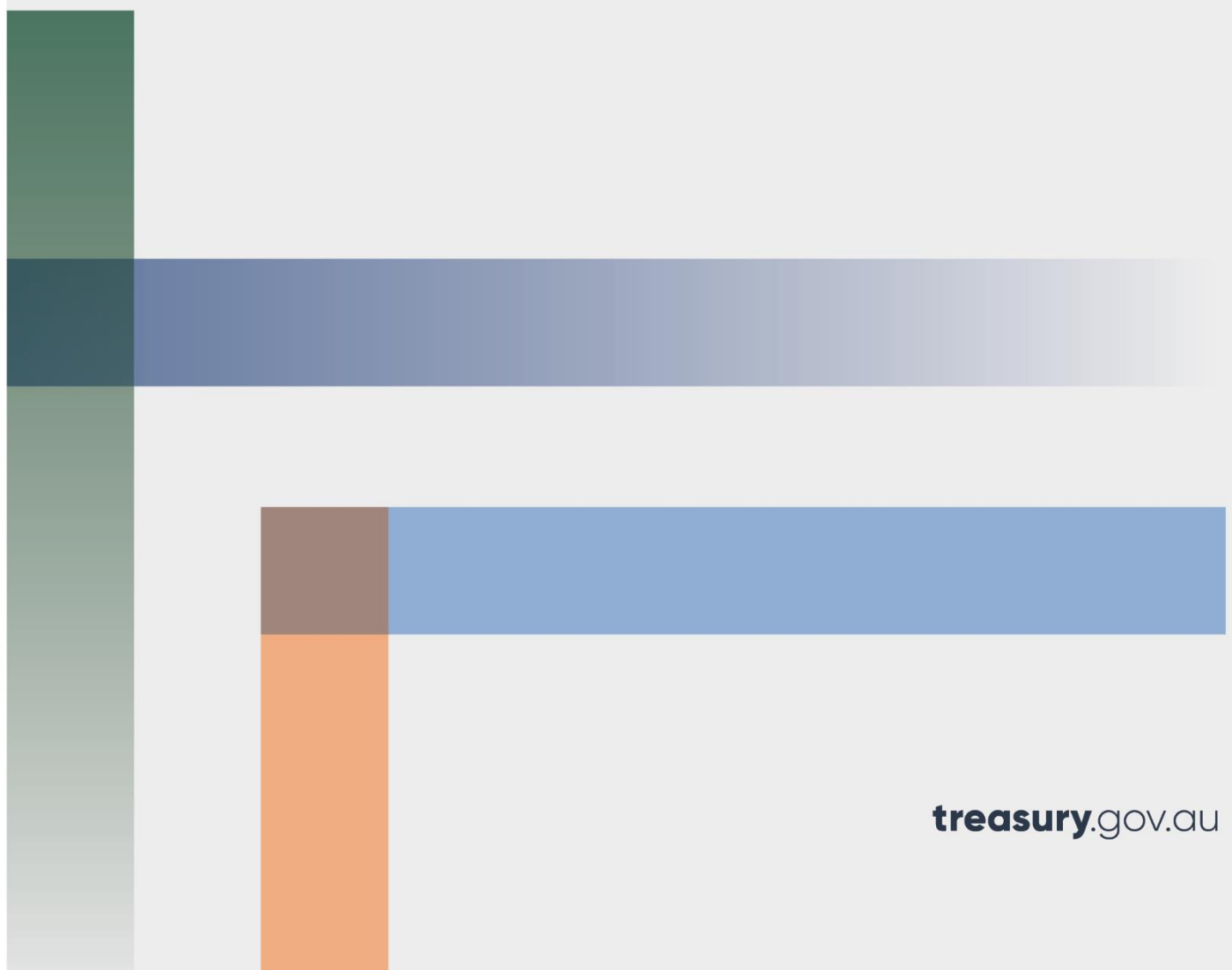




Impact Analysis

Supporting social and affordable housing
under the Housing Australia Future Fund
and the National Housing Accord



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Executive Summary

This Impact Analysis has been prepared by the Department of the Treasury (**Treasury**) to support the Government's consideration of the Housing Australia Future Fund (**HAFF**) and the National Housing Accord (**Accord**) commitments. This Impact Analysis is a final compilation of analysis undertaken by the Treasury and other agencies, including the Department of Social Services (DSS) and Housing Australia (previously the National Housing Finance and Investment Corporation (NHFIC), provided to the Government to inform significant policy decisions throughout the development and implementation of the HAFF and Accord programs.

The analysis provided in this Impact Analysis has found that implementing the HAFF and Accord delivers substantial net benefits compared to maintaining the status quo. The analysis also shows that the implementation approach to delivering the HAFF and Accord minimises the costs of delivering the policies and effectively manages risks to delivery. Treasury notes that because the HAFF is a Government election commitment, this Impact Analysis only compares the policy against the status quo. This approach is consistent with Office of Impact Analysis guidance.

An initial draft of this Impact Analysis was provided to the Government to inform policy design and implementation decisions ahead of the October 2022 Budget, with updated drafts provided to the Government ahead of all major policy decisions. This Impact Analysis has been continuously updated and expanded over the course of the policy development process to incorporate new findings and data from external sources along with the feedback and outcomes of the multiple public and targeted consultation processes.

This final version of the Impact Analysis has been prepared for the Government in May 2024, and will inform amendments to the Housing Australia Investment Mandate that will allow Housing Australia to commence delivery of the programs.

Key milestones in the development of the HAFF and Accord policies informed by the draft and final analyses provided in this Impact Analysis include:

- Initial announcement of the HAFF and Accord measures as part of the October 2022-23 Budget.
- The design of the enabling legislation for the HAFF, including the Housing Australia Future Fund Bill 2023, which was introduced into Parliament in February 2023.
- The Housing Australia Future Fund Investment Mandate Direction 2023, registered on 1 November 2023, setting out directions to the Future Fund on the management of the HAFF.
- Amendments to the Housing Australia Investment Mandate Direction 2018, registered on 8 December 2023, setting out directions to Housing Australia for the delivery of the HAFF and Accord and empowering Housing Australia to seek applications for funding.
- Final amendments to the Housing Australia Investment Mandate, which will empower Housing Australia to begin entering into contracts for delivery and set out the initial funding

amounts Housing Australia has available for availability payments, upfront grants and concessional loans to support delivery of the policies.

Background to the HAFF and Accord

Australia has an undersupply of social and affordable homes. The proportion of social housing as a share of the housing stock has fallen from around 5.5 per cent in 1991 to less than 4 per cent in 2021. This has left many vulnerable and low-income earners either paying unaffordable rents in the private rental market, living in unsafe housing, or experiencing or being at risk of homelessness.

To help address the consistent undersupply of social and affordable housing, the Government committed to establishing the \$10 billion Housing Australia Future Fund as part of its 2022 election platform. The HAFF is a perpetual fund under the management of the Future Fund Management Agency that provides an ongoing funding stream of a minimum \$500 million per year, indexed to the consumer price index from 2029-30, to fund new social and affordable housing and address acute housing needs. The Government's commitment specifically sets out that this includes the delivery of 30,000 new social and affordable rental homes over five years as well as funding of \$324 million over five years to address acute housing needs.

In addition, the Government committed, as part of the National Housing Accord (Accord) signed in October 2022, to fund an additional 10,000 affordable homes.

The purpose of the HAFF and Accord is to increase the supply of social and affordable housing available for vulnerable and low-income households for whom the private rental market is not affordable. The goal of the policies is to help address the ongoing decline in the share of social housing and associated growth in social housing waitlists, as well as increase the supply of low-cost rental accommodation. By supporting the delivery of 40,000 social and affordable dwellings, the HAFF and Accord will directly increase availability of such housing compared to the status quo, potentially supporting around 80,000 people access safe and affordable accommodation.

Housing Australia, a Commonwealth corporate entity which already delivers a number of the Government's housing programs, has been tasked with managing the delivery of new social and affordable homes under the HAFF and Accord. Eligibility for funding support through the HAFF and Accord is open to Community Housing Providers (CHPs) and other charities delivering housing, state, territory and local governments, and joint ventures between CHPs and private institutions. The funding mechanism is through a combination of availability payments and up-front grants funded through HAFF disbursements and direct funding from the budget for the Accord, combined with concessional loans where necessary.

The HAFF and Accord are part of a broad suite of measures in the Government's housing reform agenda designed to alleviate housing stress across the housing system and to support new supply.

Key dates

- Announcement of the HAFF as a key election commitment ahead of the election in May 2022.
- The HAFF was included as part of the Safer and More Affordable Housing measure in the October 2022-23 Budget.
- Also in October 2022, the Government agreed the National Housing Accord with states and territories and other housing industry stakeholders, including funding for an additional 10,000 affordable rental homes that would be delivered in conjunction with the HAFF.
- The exposure draft of the *Housing Australia Future Fund Bill 2023* and explanatory material were released for public consultation between 19 December 2022 and 11 January 2023 as part of the Housing Legislative Package (the Package).
- Introduction of legislation on 9 February 2023, with the Package passing the House of Representatives on 15 February 2023 and subsequently introduced to the Senate on 6 March 2023.
- The Senate passed the amended legislation package on 13 September 2023, with passage through both houses completed following the House agreeing to the Senate amendments on 14 September 2023, with Royal Assent on 28 September 2023.
- The HAFF was formally established on 1 November 2023, with the Housing Australia Future Fund Investment Mandate Direction 2023 registered on the same day.
- Amendments to the Housing Australia Investment Mandate were registered on 8 December 2023.
- Housing Australia opened the first funding round under the Housing Australia Future Fund Facility (HAFFF) and National Housing Accord Facility (NHAF) on 15 January 2024, with applications closing on 22 March 2024.

1. What is the policy problem the HAFF and Accord are trying to solve?

A range of factors contribute to high housing costs

There is a broad mismatch between supply and demand in the Australian housing market, with supply not sufficient for the level of demand. This imbalance has contributed to a structural increase in house prices – both for ownership and rental housing. As prices rise faster than incomes, more houses have become unaffordable, leading to housing stress and living conditions that are insecure or unsafe.

Housing affordability is not expected to improve in the near future due to heightened demand and supply constraints. There is a slowing in the numbers of new dwellings being built, with only 172,000 of homes completed in 2023, the lowest number in a decade¹. Supply chain problems and worker shortages are delaying home building and leaving projects unfinished, adding to housing pressures. Building approvals have also fallen significantly.²

At the same time, rental prices have grown significantly. Increases in rental prices are particularly influential on housing affordability for lower income households, who are more likely to rent than own their home and are more at risk of housing stress and homelessness.³ As house prices have increased, home ownership has declined, and the proportion of households renting has increased.⁴ Pressures from a growing proportion of renters has caused low vacancy rates and strong price increases.⁵

As a result, many rental homes are unaffordable. In its 2023 Rental Affordability Snapshot, Anglicare surveyed over 45,000 rental listings across Australia and found that a tiny fraction was affordable for those on a low-income, age pension, disability support pension or income support.⁶ For those on minimum wage, affordability had halved over the past year and crashed to below one

¹ National Housing Supply and Affordability Council – State of the Housing System 2024

<https://nhsac.gov.au/reports-and-submissions/state-housing-system-2024>

² Treasury calculations based on ABS Building Approvals data, released May 2023

³ [Renters, Rent Inflat...~https://www.rba.gov.au/publications/bulletin/2023/mar/renters-rent-inflation-and-renter-stress.html](https://www.rba.gov.au/publications/bulletin/2023/mar/renters-rent-inflation-and-renter-stress.html)

⁴ [AIHW - Home ownership and housing tenure, Home ownership and h...~https://www.aihw.gov.au/reports/australias-welfare/home-ownership-and-housing-tenure#ownership](https://www.aihw.gov.au/reports/australias-welfare/home-ownership-and-housing-tenure#ownership)

⁵ [CoreLogic - CoreLogic Rental Pulse May 2023](https://www.corelogic.com.au/),

https://www.corelogic.com.au/_data/assets/pdf_file/0012/14223/2305-CoreLogic-RentalPulse-FINAL.pdf

⁶<https://www.anglicare.asn.au/wp-content/uploads/2023/04/Rental-Affordability-Snapshot-National-Report.pdf>, Figure 1

per cent of all rentals, the lowest level on record. This decline in affordability has contributed to the increase in housing stress and homelessness.

High housing costs are particularly harmful for the most vulnerable

High housing costs are particularly harmful to low-income households, with a very significant proportion of low-income households experiencing housing stress due to a lack of affordable housing options. Housing stress is described as low-income households (defined as the lowest 40 per cent of households on the income distribution) spending more than 30 per cent of their income on housing⁷. Around one million low-income households were in housing stress in 2019-20.⁸

Housing stress has worsened over time. In 2007-08, 35 per cent of low-income households were in housing stress. This climbed to 42 per cent in 2019-20⁹. Housing stress is highest in the private rental market, with two thirds of low-income households renting privately in housing stress. Within this group of low-income households, 20 per cent spend more than half their income on housing.¹⁰ Housing stress is reduced by Commonwealth Rent Assistance, a supplementary payment for eligible renting households that receive income support payments or Family Tax Benefit Part A, however, it may not fully alleviate housing stress for all households.

In addition, despite such payments, many Australians also do not have access to housing that is safe. Individuals without safe and affordable housing experience lower wellbeing and health, lower participation in the economy, and reduced access to the essential needs of life. Unsafe housing includes housing that is overcrowded, has basic structural problems, and puts occupants at risk of violence. Prior to COVID-19, research estimated one million Australians were living in poor to very poor-quality housing¹¹. It is also estimated that of all Australian adults, 2.2 million had experienced violence from a partner they were living with at the time.¹² The lack of safe housing puts the physical and mental health of people at risk.

A lack of safe and affordable housing can force many at-risk individuals, who cannot find affordable or suitable homes in the private rental market, into homelessness. The 2021 Census

⁷ AIHW - Housing affordability, <https://www.aihw.gov.au/reports/australias-welfare/housing-affordability>

⁸ AIHW - Housing affordability, <https://www.aihw.gov.au/reports/australias-welfare/housing-affordability>

⁹ AIHW - Housing affordability, <https://www.aihw.gov.au/reports/australias-welfare/housing-affordability>

¹⁰ Productivity Commission, "In need of repair: The National Housing and Homelessness Agreement: Study Report: Overview", p5, Figure 2, [In need of repair: The National Housing and Homelessness Agreement](https://www.pc.gov.au/research/other/in-need-of-repair)

¹¹ University of South Australia - Rental housing standards a threat to resident health and wellbeing, <https://www.unisa.edu.au/media-centre/Releases/rental-housing-standards-a-threat-to-resident-health-and-wellbeing/>

¹² AIHW - Family, domestic and sexual assault: FDSV summary, www.aihw.gov.au/family-domestic-and-sexual-violence/resources/fdsv-summary

estimated that 122,494 people were experiencing homelessness. This represents 48 people per 10,000 people, an increase from 45 people per 10,000 people in 2006.¹³

A lack of access to safe and affordable housing can have a great impact on individuals' wellbeing, health,^{14,15} participation in the economy and their access to the essential needs of life.¹⁶ In its 2022 report on the National Housing and Homelessness Agreement, the Productivity Commission outlined the economic costs of not having affordable, safe, and secure housing. These include¹⁷:

- It can be a barrier to finding and holding down a job and engaging in education.
- It can affect family relationships and community connections.
- High housing costs can force people to cut spending on other essentials (such as food, medicine, and heating) and/or compromise on the suitability of their housing. Because low-income households spend a higher share of their income on housing than other households, declining affordability particularly affects these households.
- Poor housing can harm physical health, mental health, and people's ability to participate fully in society. For example, living in overcrowded and poor-quality housing increases the likelihood of acquiring chronic health conditions, which can affect children's long-term development. The health and social issues caused by overcrowding can also increase the risk of domestic and family violence.

Access to good quality, affordable housing is fundamental to wellbeing. It can help reduce poverty and enhance equality of opportunity, social inclusion and mobility.¹⁸ Housing is a need which must be met before an individual can consider other needs, including employment and social needs.

Housing affordability issues may have indirect effects such as increasing structural unemployment either by limiting transfers of labour to where it is most needed, or by forcing individuals to move from areas where they were previously employed. Structural unemployment occurs when there is a mismatch between jobs available and people looking for work with the necessary skills to do the work.¹⁹ The costs of housing unaffordability are not limited to the individuals that experience it, rather individuals and society bear the cost of reduced access to affordable housing.

The cost of homelessness to homeless persons, the community, and the economy is significant, and increases the longer the individual remains homeless. The annual cost to the community of rough

¹³ [ABS, Estimating Homelessness: Census](#)

¹⁴ [AHURI - Housing affordability, housing stress and household wellbeing in Australia](#)

¹⁵ [Health of people experiencing homelessness](#)

¹⁶ Productivity Commission, "In need of repair: The National Housing and Homelessness Agreement: Study Report: Overview", p3, August 2022. [Overview - In need of repair: The National Housing and Homelessness Agreement \(pc.gov.au\), p3](#)

¹⁷ Productivity Commission, "In need of repair: The National Housing and Homelessness Agreement: Study Report: Overview", p3, August 2022. [Overview - In need of repair: The National Housing and Homelessness Agreement \(pc.gov.au\), p3](#)

¹⁸ [Housing affordability - Australian Institute of Health and Welfare \(aihw.gov.au\)](#)

¹⁹ [Unemployment: Its Measurement and Types | Explainer | Education | RBA](#)

sleeping has been estimated to exceed \$25,000 per person, while the cost of youth homelessness in Australia, in terms of additional health and criminal justice costs, has been calculated to be \$626 million per year.²⁰

The cost of inaction to alleviate housing stress and homelessness also includes forgone positive externalities and the aforementioned direct and indirect costs. These foregone positive externalities, direct benefits and indirect costs have been estimated by a broad range of institutions and thinktanks. The cost estimates show that without intervention, the cost to individuals and society as a result of an undersupply of affordable housing for vulnerable and low-income households is significant.

Table 1.1 – Foregone benefits

Source	Dwelling/Occupancy Type	Details	Benefit from intervention
SGS - Give me Shelter ²¹	Homeless Household	External Benefit of Social and Affordable Housing Provision to the household per annum (\$=2020) ²²	\$18,500
	Very low-income Household ²³		\$3,400
	Low-income Household		\$17,550
Unlocking social benefits with social and affordable housing ²⁴	Per Dwelling of social and/or affordable housing	Combined Societal (Private & Public) Benefit per annum (\$=2023) ²⁵	\$2,750
The McKell Institute	Moving a person from crisis accommodation to new dwellings	Average reduced government costs per annum (\$=2019)	\$11,935.49 ²⁶

²⁰ [The many costs of homelessness | The Medical Journal of Australia \(mja.com.au\)](https://www.mja.com.au)

²¹ SGS Economics & Planning Pty Ltd (2019) City of Melbourne Housing, p31, https://sgsep.com.au/assets/main/SGS-Economics-and-Planning_Give-Me-Shelter.pdf

²² External Benefits do not capture the income savings from more affordable housing costs

²³ Assumed to be a household of two adults both over the age of 75 and receiving the aged care pension. Both members of the households are no longer in the labour force. Due to the characteristics of the assumed household benefits from reduced crime cost, enhanced human capital, key work retention and educational benefits were not estimated.

²⁴ [Community Housing - Unlocking positive social benefits with social and affordable housing. https://www.communityhousing.com.au/wp-content/uploads/2023/10/SBCA-summary-and-HAFF-web-version.pdf?x97340](https://www.communityhousing.com.au/wp-content/uploads/2023/10/SBCA-summary-and-HAFF-web-version.pdf?x97340)

²⁵ These benefits are over and above the appreciating value of the underlying land and housing assets and represent an overall gain to Australian society that would not have happened in the absence of these dwellings.

²⁶ [The McKell Institute - How Government investment in housing can boost the economy. https://mckellinstitute.org.au/research/articles/how-government-investment-in-housing-can-boost-the-economy/](https://mckellinstitute.org.au/research/articles/how-government-investment-in-housing-can-boost-the-economy/)

Some cohorts are particularly impacted by the lack of safe and affordable housing

First Nations Australians, women and children impacted by family and domestic violence, older women, veterans and youth, experience higher rates of housing stress and homelessness.

First Nations Australians

First Nations people face greater barriers to home ownership, and as such, 68 per cent of First Nations people rent.²⁷ This puts them more at risk of housing stress and homelessness. While 3.8% of the Australian population identify as being of Aboriginal and/or Torres Strait Islander origin²⁸, 20.4 per cent of all persons experiencing homelessness were First Nations.²⁹

First Nations people are also more likely to live in unsafe housing. In 2018-19, 18 per cent of Aboriginal and/or Torres Strait Islander people were living in overcrowded dwellings,³⁰ compared with 5 per cent of non-Indigenous Australians. The proportion of First Nations people living in overcrowded dwellings is higher in Remote areas at 32 per cent and climbs to 55 per cent in Very Remote areas.³¹

As well as being more likely to live in overcrowded dwellings, Aboriginal and/or Torres Strait Islander people are more likely to live in homes with structural issues. In 2018-19, 33 per cent of First Nations people lived in homes with at least one major structural problem. This increased to 46 per cent in Remote areas³².

Women and children experiencing family and domestic violence

Family and domestic violence is a leading cause of homelessness for women and children. In 2022-23, 38 per cent of the 273,600 Specialist Homelessness Services (SHS) clients had experienced family and domestic violence.³³ Across the nation in 2022-23, around 6 in 10 clients accessing SHS

²⁷ [Indigenous housing - Australian Institute of Health and Welfare.](https://www.aihw.gov.au/reports/australias-welfare/indigenous-housing)
<https://www.aihw.gov.au/reports/australias-welfare/indigenous-housing>

²⁸ [ABS - Estimates of Aboriginal and Torres Strait Islander Australians,](https://www.abs.gov.au/statistics/people/aboriginal-and-torres-strait-islander-peoples/estimates-aboriginal-and-torres-strait-islander-australians/latest-release)
<https://www.abs.gov.au/statistics/people/aboriginal-and-torres-strait-islander-peoples/estimates-aboriginal-and-torres-strait-islander-australians/latest-release>

²⁹ 2021 Census [ABS - Estimating Homelessness: Census,](https://www.abs.gov.au/statistics/people/housing/estimating-homelessness-census/latest-release)
<https://www.abs.gov.au/statistics/people/housing/estimating-homelessness-census/latest-release>

³⁰ Situation in a dwelling when one or more additional bedrooms are required to adequately house its inhabitants, according to the Canadian National Occupancy Standard. Compare with underutilisation (housing). The definition is used by AIHW.

³¹ [Indigenous housing - Australian Institute of Health and Welfare.](https://www.aihw.gov.au/reports/australias-welfare/indigenous-housing)
<https://www.aihw.gov.au/reports/australias-welfare/indigenous-housing>

³² [Indigenous housing - Australian Institute of Health and Welfare \(aihw.gov.au\)](https://www.aihw.gov.au/reports/australias-welfare/indigenous-housing)

³³ AIHW, <https://www.aihw.gov.au/family-domestic-and-sexual-violence/responses-and-outcomes/housing>

were women, whilst around 3 in 10 were children.³⁴ Many clients accessing SHS due to domestic and family violence do not have their housing needs met - 42 per cent of clients experiencing homelessness at the start of support were housed at the end of support.³⁵ A shortage of transitional and long-term social and affordable housing means some women and children exiting crisis accommodation face a choice of returning to a violent home or becoming homeless³⁶.

Older women

The number of older women (defined as those aged 55 years and over) experiencing homelessness has grown substantially. Between 2011 and 2021, the number of older women experiencing homelessness increased by almost 40 per cent.³⁷ Older homeless women face particular challenges in accessing housing and other support services due to systemic and compounding factors such as the lack of superannuation, working part time or casually throughout their life, gender pay gap, taking time out of the workforce to care for family and more.³⁸ Older women are now becoming more at-risk of homelessness and are increasingly experiencing homelessness.

Veterans

Research indicates that veterans are represented in the rough sleeping population at twice their level in the general population, with veterans representing 2.8 per cent of the Australian population but 5.6 per cent of people sleeping rough.^{39 40} People sleeping rough include people who are living on the streets, sleeping in parks, squatting, staying in cars or living in improvised dwellings. They are some of the most disadvantaged and vulnerable people in society.⁴¹

Veterans experiencing homelessness also live longer on the street or in crisis accommodation, with the average length of time being 6.3 years for veterans compared to 5 years for non-veterans.⁴² In addition, there are a number of unique risk factors associated with veteran homelessness, including rapid entry into rough sleeping and delays in seeking help until a crisis point is reached.⁴³ Geoff

³⁴ AIHW, <https://www.aihw.gov.au/family-domestic-and-sexual-violence/responses-and-outcomes/housing>

³⁵ AIHW, [Specialist homelessness services annual report 2022-23](#), see Clients who have experienced family and domestic violence; Figure FDV.3: Clients who experienced family or domestic violence, by services needed and provided, 2022-23.

³⁶ [National Plan to End Violence against Women and Children 2022-2032](#), 2022.

³⁷ AIHW, [Specialist homelessness services annual report 2021-22](#)

³⁸ [Mercy Foundation - Older women and homelessness](#), <https://www.mercyfoundation.com.au/our-focus/ending-homelessness/older-women-and-homelessness/>

³⁹ Department of Veterans' Affairs, "Census reveals nearly 600,000 veterans in Australia", June 2022. Available at: <https://www.dva.gov.au/newsroom/latest-news-veterans/census-reveals-nearly-600000-veterans-australia>

⁴⁰ Wood, L. et al. (2021) "Out of the trenches; prevalence of Australian veterans among the homeless population and the implications for public health," *Australian and New Zealand Journal of Public Health*, 46(2), pp. 134-141. Available at: <https://doi.org/10.1111/1753-6405.13175>

⁴¹ R Phillips and C Parsell, *The role of assertive outreach in ending 'rough sleeping'*, AHURI, 2012

⁴² Ibid

⁴³ Department of Veterans' Affairs (2022) Submission to the Productivity Commission Review of the National Housing and Homelessness Agreement.

Evans, Founder of Homes for Heroes, has described the need for veteran-focused housing support, noting many veterans are less likely to access mainstream services due to a sense of shame and failure.⁴⁴

Youth

Younger people are more likely to experience housing stress and homelessness. In 2016, young people aged 15-24 made up 21 per cent of the homeless population⁴⁵, despite only accounting for 13 per cent of the population.⁴⁶ The proportion of 20-24 year olds experiencing homelessness has climbed from 0.7 per cent to 0.8 per cent from 2006 to 2016. Rates of youth homelessness are substantially higher among those living in Remote or Very remote areas with 6.2 per cent of youth in Remote and Very remote areas experiencing homelessness compared to 0.8 per cent of youth in major cities.⁴⁷

Younger people are also more likely to experience housing stress with 28 per cent of 15-24 year olds living in lower income households experiencing housing stress. This figure is higher for 20-24 year olds, with 37 per cent experiencing housing stress.⁴⁸

Social and affordable housing helps address the problem

Social and affordable housing is housing that is provided at below market rent and designed to make housing solutions available to individuals and households that cannot access market housing or for whom market housing, at market prices, is unsuitable. It directly addresses the problem of housing affordability.

Social housing is generally understood to be government subsidised rental housing. Social housing provides housing for people who are unlikely to afford private rental market rents. Social housing is made up of public housing, which is owned and managed by the states and territories, and community housing, which is managed (and often owned) by CHPs, which are predominantly not-for-profit organisations.

Affordable housing is more varied in its definition. It is usually provided at a discount to market rent and often involves the provision of housing for low to moderate income households, including essential and frontline workers.

⁴⁴ Evans, G. (2022) "From One to One Hundred," *Parity*, 33(6), pp. 11–12.

⁴⁵ AIHW - Australia's youth: Homelessness and overcrowding, <https://www.aihw.gov.au/reports/children-youth/homelessness-and-overcrowding>

⁴⁶ ABS - 2016 Census - a 'selfie' of young people in Australia, <https://www.abs.gov.au/ausstats/abs@.nsf/mediareleasesbyreleasedate/AC02F0705E320F58CA25817C00016A47?OpenDocument>

⁴⁷ AIHW - Australia's youth: Homelessness and overcrowding, <https://www.aihw.gov.au/reports/children-youth/homelessness-and-overcrowding>

⁴⁸ AIHW – Australia's youth: Housing stress, [Australia's youth: H...~https://www.aihw.gov.au/reports/children-youth/housing-stress](https://www.aihw.gov.au/reports/children-youth/housing-stress)

In addition, acute housing covers a range of housing types, including crisis and transitional housing, but can also refer to specific housing needs.

Social and affordable housing is an essential part of the policy solution.⁴⁹ Placing a vulnerable person in social housing reduces their risk of homelessness by 6-13 per cent.⁵⁰ Some tenants considered social housing as the 'only path out of homelessness'.⁵¹ Highly targeted affordable housing is also key to reducing housing stress. It creates a path out of social housing dependency and, by definition, removes housing stress. This is especially beneficial for essential workers.

Australia's social housing stock has declined from about 6 per cent of houses in 1991 to less than 4 per cent in 2021.⁵² For new households allocated public housing in 2020-2021, 47.2 per cent of applicants were on a waiting list for one or more years, including 10.3 per cent that had waited five or more years.⁵³ During this time, applicants may not have access to safe and secure housing, and may experience homelessness. The number of people on waiting lists for social housing is also increasing over time. According to the 2022 Report on Government Services, there were 216,846 people on waiting lists for social housing as of 30 June 2021, up from 189,414 on waiting lists in 2017 (a 14.5 per cent increase).⁵⁴

⁴⁹ [Productivity Commission, In need of repair: The National Housing and Homelessness Agreement, p44](#)

⁵⁰ [Productivity Commission, In need of repair: The National Housing and Homelessness Agreement, p242](#)

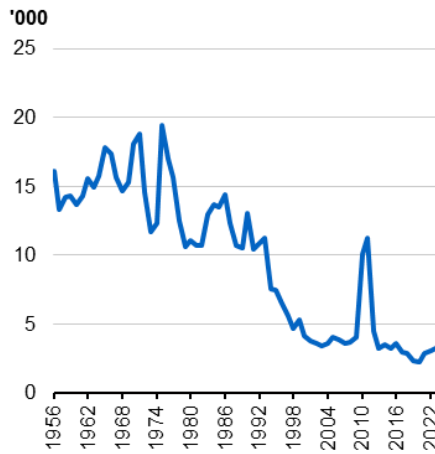
⁵¹ [Productivity Commission, In need of repair: The National Housing and Homelessness Agreement, p242](#)

⁵² [Grattan Institute, A place to call home: it's time for a Social Housing Future Fund,
https://grattan.edu.au/news/a-place-to-call-home-its-time-for-a-social-housing-future-fund/](#)

⁵³ [Australian Institute of Health and Welfare - Housing assistance in Australia, Data,
https://www.aihw.gov.au/reports/housing-assistance/housing-assistance-in-australia/data](#)

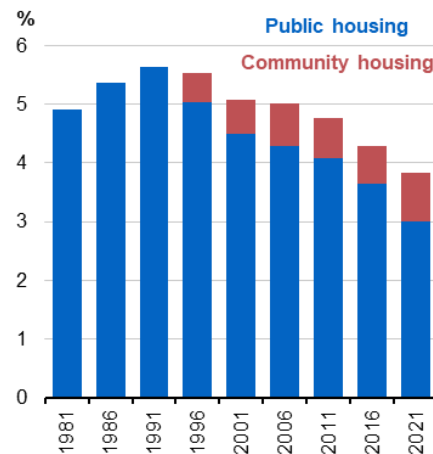
⁵⁴ [G Housing and homelessness - Report on Government Services 2022 - Productivity Commission \(pc.gov.au\)](#)

Chart 1.1: Public housing completions



Source: 2024-25 Budget, Budget Paper 1, p132

Chart 1.2: Social housing stock as a share of housing stock



Source: 2024-25 Budget, Budget Paper 1, p132

Notes: Social housing as a share of occupied private dwellings (excludes visitor-only and other non-classifiable households from 2006 onwards).

This data also likely understates the true number of households in need of social housing as households may not apply because they believe the chances of securing a tenancy are slim and/or due to the stigma attached to being dependent on social housing.⁵⁵

The HAFF and Accord are part of a suite of policies to address housing affordability

The HAFF and Accord are part of a broad suite of policies designed to address pressures across all parts of the housing system, with most of these policies designed to work together in a complementary manner.

While each housing measure is designed to target a very specific problem in the housing system, the policies can be broadly grouped into four categories.

Measures to support first home ownership

- The Government is establishing the Help to Buy scheme with state and territory governments to help thousands of Australians to purchase a home of their own. Under the scheme, the Government will provide an equity contribution to eligible participants of up to 40 per cent for new homes and 30 per cent for existing homes.
- The Home Guarantee Scheme has helped more than 100,000 people into home ownership, including more than 13,000 single women and more than 15,800 through the Regional First Home Buyer Guarantee. The scheme has now been expanded significantly – July 2023

⁵⁵ [Report - Review of the operations of the NHFIC Act \(treasury.gov.au\), P28](#)

changes allow friends, siblings, and other family members eligible for joint applications under the First Home Guarantee and the Regional First Home Buyer Guarantee.

Measures to support new supply

- On 16 August 2023, National Cabinet agreed to an ambitious new national target to build 1.2 million homes over five years from 1 July 2024. This is an additional 200,000 new homes above the National Housing Accord agreed by states and territories in 2022. As part of the National Cabinet meeting, the Government announced:
 - \$3 billion for a New Home Bonus, for states and territories that achieve more than their share of the one million well-located homes target under the National Housing Accord.
 - \$500 million for a Housing Support Program, a program for local and state and territory governments to kick-start housing supply in well located areas. Applications for Stream 1 have now closed. As part of the 2023-24 Budget, an additional \$1 billion is being provided to states and territories.
- Tax incentives have been provided to encourage more build-to-rent developments to boost new supply in the private rental market.
- A National Planning Reform Blueprint with planning, zoning, land release and other measures to improve housing supply and affordability.
- A Better Deal for Renters to harmonise and strengthen renters' rights across Australia.
- Universities are now required to deliver more purpose-built student accommodation. This will increase housing supply and help to ensure that increases in international student numbers do not put pressure on the domestic housing market.
- The Government is making available an additional 20,000 fee-free TAFE and pre-apprenticeship places. The Government has also committed \$1.8 million to deliver streamlined skills assessments for around 1,900 migrants from comparable countries to work in Australia's housing construction industry.

Measures to support low-income and vulnerable households

- The HAFF and Accord will support the delivery of 40,000 new social and affordable homes and fund a range of acute housing needs over its first five years.
- The \$2 billion Social Housing Accelerator is a direct payment to the states and territories to help deliver thousands of new social homes across Australia.
- Commonwealth Rent Assistance has been increased, with a 15 per cent increase in the maximum rates in the 2023-24 Budget from 20 September 2023, followed by a further 10 per cent increase to maximum rates in the 2024-25 Budget, to take effect on 20 September 2024, subject to the passage of legislation.
- Targeting the \$1.0 billion for social housing under the National Housing Infrastructure Facility in the 2023-24 MYEFO towards crisis and transitional accommodation for women and children experiencing domestic violence, and youth, including changing the mix of concessional loans and grants to increase the amount of grants to \$700 million.

Measures to support homelessness and other acute housing needs, including crisis and transitional housing

- National Cabinet has agreed a new, 5-year \$9.3 billion National Agreement on Social Housing and Homelessness (NASHH) for state and territories (states) to combat homelessness, provide crisis support and build and repair social housing. The NASHH will replace the National Housing and Homelessness Agreement (NHHA) and provide an additional \$423.1 million over the life of the agreement. Under the new agreement, the Government will double the funding component for homelessness services to \$400 million a year – funding the States are required to match.
- \$324 million from the HAFF to fund acute housing needs, including for women and children impacted by family and domestic violence and older women at risk of homelessness, repairs, maintenance, and improvements of housing in remote First Nations communities, and veterans housing.

2. Why is Government action needed?

2.1 Social and affordable housing offers benefits to individuals and society

The private housing market has an insufficient quantity of affordable dwellings to meet the needs of low-income earners. The low number of available affordable rental dwellings⁵⁶ results in less choices and more people competing over fewer rental properties. Insufficient supply increases demand for the current housing stock and further drives rents up and reduces choices for low-income earners. This has contributed to a majority (58 per cent) of low-income households in the private rental market facing housing stress⁵⁷ in 2019-20. Without action, low-income earners are left to an increasingly unaffordable private rental market, with some in unsafe housing, are at risk of homelessness, or are homeless.

The objective of Government intervention is to increase access to safe and affordable housing, as well as address other acute housing needs for cohorts who are particularly vulnerable to housing stress and homelessness. Safe and affordable housing relieves the pressure of high housing cost and provides stability to low-income households. Providing relief to household budgets and providing a stable home can reduce poverty, improve the functioning of the labour market, and improve equality of opportunity and social inclusion of low-income tenants. Almost all (95.7 per cent) social housing tenants surveyed by the Australian Institute of Health and Welfare reported economic benefits from living in social housing, with 93.6 per cent reporting they were able to manage rent/money better⁵⁸. Increasing the supply of safe and affordable housing creates positive externalities for society as well through reduction in government spending on homelessness services, health, child safety and criminal justice.

Some groups across society also face their own unique housing challenges and require specific housing solutions. These groups include women facing domestic violence, older women, First Nations people living in remote areas, and veterans (see Chapter 1 for further details on housing issues faced by those cohorts). Alongside general affordability, many of these groups either face increasing demand for housing or have other long-term unmet housing needs. With their specific challenges, specific solutions are required. This may involve the need for specialist housing providers that understand their circumstances and can tailor housing to those needs, for example

⁵⁶ [Anglicare Australia, Rental Affordability Snapshot National Report, 2024, https://www.anglicare.asn.au/wp-content/uploads/2024/04/Rental-Affordability-Snapshot-National-Report.pdf](https://www.anglicare.asn.au/wp-content/uploads/2024/04/Rental-Affordability-Snapshot-National-Report.pdf)

⁵⁷ [AIHW - Housing Affordability, https://www.aihw.gov.au/reports/australias-welfare/housing-affordability](https://www.aihw.gov.au/reports/australias-welfare/housing-affordability)

⁵⁸ [AIHW, National Social Housing Survey, 2021, https://www.aihw.gov.au/reports/housing-assistance/national-social-housing-survey-2021/contents/what-are-the-benefits-of-living-in-social-housing](https://www.aihw.gov.au/reports/housing-assistance/national-social-housing-survey-2021/contents/what-are-the-benefits-of-living-in-social-housing)

emergency accommodation for women and children experiencing domestic violence. Or it may involve bespoke programs that account for the funding challenges for a sector.

2.2 The private market does not supply social and affordable housing

Both social and affordable housing can alleviate housing pressures. Social housing is generally recognised to be housing for those very unlikely to be able to afford private rental market rents or are unable to acquire private rental due to medical, age-related or other support needs. Social housing rents are generally set at 25 to 30 per cent of the household's income and adjusted based on the circumstance of the household.⁵⁹ Affordable housing is generally understood to decrease the housing stress for low to medium-income tenants through setting rents at below the private market rent. Both types of housing provide stability, affordability and access to the low-income earners that would otherwise be unable to find those qualities in the private rental market. Social housing better caters those who require a higher level of support compared to affordable housing. Each category caters to different housing needs of people to ultimately achieve more safe and affordable housing.

Social and affordable housing is not supplied by the market.⁶⁰ This is due to rents being either linked to a proportion of income (social housing) or provided at a discount to market rent (affordable housing), revenue is generally insufficient to cover costs and profits are highly unlikely. The private sector also does not benefit from the positive externalities of social and affordable housing that accrue to society, as they cannot be monetised by private companies and/or individuals. Since it is not profitable for private companies or individuals to provide this service, if the Government does not step in, social and affordable housing will not be available.

2.3 How to bridge the gap in social and affordable housing

The term funding gap is used to describe the fact that revenues generated by renting out social and affordable homes are insufficient to fund the cost of provision without Government subsidies. This may include full commercial viability, but it also means that even where commercial viability or profits are not required, for example for not-for-profit organisations and other charities, it is not possible to build or grow social and affordable housing as the revenues are often insufficient to even just cover the costs. The 2021 *Statutory Review of the Operation of the National Housing Finance and Investment Corporation Act 2018* (the NHFIC Review) concluded that for social and affordable housing provision to be economic for providers, the funding gap needs to be filled by some form, or some combination, of subsidies.

⁵⁹ [What is the differen...~https://www.ahuri.edu.au/analysis/brief/what-difference-between-social-housing-and-affordable-housing-and-why-do-they-matter](https://www.ahuri.edu.au/analysis/brief/what-difference-between-social-housing-and-affordable-housing-and-why-do-they-matter)

⁶⁰ AHURI Final Report No. 254, "Housing markets, economic productivity, and risk: international evidence and policy implications for Australia: Volume 1: Outcomes of an Investigative Panel", December 2015

The subsidy can take a number of forms. It could be provided through upfront grants that fully or partially meets the cost of construction. It could also be provided as an ongoing availability payment which bridges this gap during the period the housing is available for rent. Concessional loans, including zero interest loans, can also help bridge the funding gap. Whichever method is chosen, in order to be viable, the gap between revenues and costs (including the cost of any loans or returns on equity, if applicable) must be bridged through a subsidy. Each of these subsidy type has its strengths and weaknesses meaning that a combination of subsidy types is often optimal.

While existing support, such as the Affordable Housing Bond Aggregator (AHBA), which provides concessional loans to CHPs, to support the development of social and affordable housing through CHPs, it is insufficient by itself for bridging the funding gap on an ongoing basis. It plays an important role where alternative sources of funding may be available, for example charities' own land or equity, but the support it provides cannot by itself bridge the gap in most instances, and it cannot do so at the scale required to support the increases in social and affordable housing needed to meet current and future demand. Other programs have also shown some success, including the broadening of the National Housing Infrastructure Facility (NHIF) to directly fund social and affordable housing in addition to critical infrastructure,

The most significant barrier to increasing the number of social and affordable homes then is the financial cost of that subsidy. Unlike the AHBA, which is supported by a government guarantee, fully bridging the funding gap in the form of a subsidy requires support in the form of government assistance. While the subsidy can come in different forms as outlined above, to substantially increase the number of social and affordable housing requires a long-term and substantial funding stream. The expansion in 2022 of the National Housing Infrastructure Facility (NHIF) to fund social and affordable housing in addition to critical infrastructure has already helped in providing such support, however it is limited in size and does not provide ongoing support. The HAFF and Accord are designed to provide this financial assistance at scale and duration.

2.4 Objectives of the HAFF and Accord

The primary policy objective of the HAFF is to provide a new sustainable funding source to support the delivery of 30,000 new social and affordable homes and to address areas of acute housing need.

The objective of the Accord affordable housing commitment is to support the delivery of a further 10,000 affordable homes, increasing the Government's total commitment to 40,000 new social and affordable homes.

The specific targets of the HAFF and Accord are set out in more detail in section 3.2. The success of the policy will be determined in reference to these targets and the broader outcomes encompassed by the reporting obligations outlined in section 7.

2.5 The government has experience in supporting safe and affordable housing

In general, states and territories have had primary responsibility for delivering social and affordable housing, with the majority of the social housing stock being owned by the states. However, the Commonwealth Government has also successfully delivered social and affordable housing, including grants for housing and homelessness services as well as construction projects through programs such as the Safe Places Program, Hobart City Deal (which saw the Australia Government invest \$30 million to provide 134 new social housing dwellings in Greater Hobart in partnership with CHPs), and Reconnect (an early intervention and prevention program for young people who are homeless or at risk of homelessness, and their families).

In addition, in 2018, the then Government set up NHFIC, now Housing Australia, to support the community housing sector deliver social and affordable housing. This includes the AHBA, which approved \$4.1 billion in long-term loans for 41 Community Housing Providers (CHPs) and supported delivery of more than 18,800 new and existing social and affordable dwellings. AHBA loans have also saved CHPs an estimated \$740 million in interest and fees as well as other indirect costs associated with refinancing.⁶¹ The NHFIC Review found that the NHFIC Act (now Housing Australia Act 2018) has been a significant and successful intervention.⁶² While noting the limitations of existing support, primarily the AHBA, in delivering the necessary scale of new social and affordable housing, as outlined above, Housing Australia is well-established and has been able to develop robust governance structures and project delivery expertise. It can leverage its existing capability and relationships with the community housing sector, institutional investors, and state and territory housing authorities to support the delivery of social and affordable housing.

⁶¹ [Housing Australia - Who we are - Our Contribution, https://www.housingaustralia.gov.au/who-we-are/our-contribution](https://www.housingaustralia.gov.au/who-we-are/our-contribution)

⁶² [Statutory Review - Operation of the National Housing Finance and Investment Corporation Act 2018 - Final Report, p3](#)

3. Policy options: Status quo versus the HAFF and the Accord

3.1 Status Quo

The status quo would be for the Commonwealth Government to not provide more funding for the supply of new social and affordable housing. Delivery of new homes would continue primarily through states and territories' social and affordable housing investment programs. The Commonwealth Government would continue to support social and affordable housing only through existing programs such as the ABHA and National Housing Infrastructure Facility and payments to states and territories through National Agreements.

Government supports social and affordable housing through the following existing mechanisms listing in Section 2 above and these would continue in the absence of the HAFF and Accord. However, this would result in the suite of policies provided by the Government lacking any significant measure specifically targeted at supporting the supply of new social and affordable housing, and a likely continuation of the long-term decline in this housing type as a share of all dwellings.

The costs of not acting to address the lack of social and affordable housing are significant.

In 2016, there was an estimated shortfall of around 431,000 social housing dwellings. If no action is taken, this deficit is predicted to grow to 727,300 dwellings by 2036.⁶³ When looking at all housing types, including those experiencing homelessness, living in overcrowded homes, or experiencing rental stress, this gap widens. In 2022, it was estimated that there were over 640,000 Australian households whose housing needs were not met. If no action is taken, this is projected to rise to 940,000 households by 2041.⁶⁴

3.2 Establishment of the Housing Australia Future Fund and the National Housing Accord

The Government, as part of its 2022 election commitments, announced that it would increase the number of social and affordable homes and address acute housing needs by establishing an investment fund that bridges the funding gaps through an ongoing funding stream.

⁶³ AHURI, [Why building housing infrastructure after the pandemic can benefit Australia](https://www.ahuri.edu.au/research/brief/why-building-housing-infrastructure-after-pandemic-can-benefit-australia), <https://www.ahuri.edu.au/research/brief/why-building-housing-infrastructure-after-pandemic-can-benefit-australia>

⁶⁴ [Quantifying Australia's unmet housing need \(unsw.edu.au\)](https://cityfutures.ada.unsw.edu.au/documents/699/CHIA-housing-need-national-snapshot-v1.0.pdf), <https://cityfutures.ada.unsw.edu.au/documents/699/CHIA-housing-need-national-snapshot-v1.0.pdf>

The commitment known as the Housing Australia Future Fund (HAFF) sets out the following parameters:

- An investment of \$10 billion capital for the HAFF to deliver an ongoing funding stream of a minimum \$500m per year, indexed from 2028-29, to support social and affordable housing and fund a range of acute housing needs.
- Delivery of 30,000 social and affordable dwellings over the first five years, including 20,000 social dwellings and 10,000 affordable dwellings.
- Around \$330 million over five years to address acute housing needs, including:
 - \$200 million for the repair, maintenance, and improvements of housing in remote First Nations communities;
 - \$100 million for crisis and transitional housing options for women and children experiencing domestic and family violence and older women at risk of homelessness; and
 - \$24 million to build housing and fund specialist services for veterans who are experiencing homelessness or at risk of homelessness.
- Housing Australia (previously the National Housing Investment Finance Corporation) to deliver the new homes.

The National Housing Accord is a 2022 agreement between the Commonwealth and states and territories, together with other housing sector stakeholders, to improve housing outcomes, including setting a national target to build one million new well-located homes over 5 years, subsequently increased to 1.2 million homes. As part of the agreement, the Commonwealth Government committed to spend \$350 million over 5 years to support 10,000 affordable homes, with availability payments over the longer term. These additional affordable homes are delivered alongside the HAFF by Housing Australia, to provide a total of 40,000 new homes across the two programs.

The HAFF uses an investment fund model that uses a large up-front capital investment to generate an ongoing stream of funding that will provide ongoing support for acute, social and affordable housing. The HAFF targets an average return net of cost of at least the Consumer Price Index plus 2 to 3 per cent per annum over the long term. The HAFF provides an ongoing disbursement stream of \$500 million a year, indexed to CPI from 2028-29.

Delivery through Housing Australia and other agencies

The majority of disbursements will be provided to Housing Australia to fund the delivery of social and affordable housing. Housing Australia, formerly NHFIC, is the Commonwealth Government's main housing delivery agency and has built up significant expertise and experience in providing financing for social and affordable homes, as well as other housing programs.

Disbursements will also support acute housing outcomes for vulnerable cohorts including women, First Nations people, and veterans, through funding provided to DSS, the Department of Veterans' Affairs (DVA), and the National Indigenous Affairs Agency (NIAA).

The affordable housing funded under the Accord will be delivered by Housing Australia alongside the HAFF. While funded directly from the Budget, the two programs are near identical which means combined delivery is the most efficient solution. This includes streamlining programs for the Government, but also facilitates the sector's engagement with the Government's housing financing programs.

Efficient and effective use of HAFF disbursements

The main funding mechanism to support the delivery of social and affordable dwellings under the HAFF and Accord are availability payments, which are regular payments made by the government to a housing provider in return for that provider ensuring that a specified dwelling is made available at a below-market cost to eligible tenants. The availability payment provides the additional income a housing provider needs to meet the operational and financing cost of a dwelling while rents for the eligible tenant remain low.

Availability payments are a proven method for governments to support the delivery of critical infrastructure and services and are regularly used by governments across Australia to support the delivery of social infrastructure, including, increasingly, delivery of social and affordable housing.

Social and affordable housing projects require long term financial support to meet financial obligations and thereby become feasible. Availability payments allow the government to guarantee that financial support over the long term. Support for the delivery of social and affordable housing has been limited over the past decades and suffered from an ad-hoc policy environment; as a result, CHPs have faced difficulty in expanding their housing stock.

With the availability payment model, CHPs have the funding certainty to meet the long-term finance arrangements involved in realising new housing stock. It allows CHPs to take out long-term loans in the form of senior debt, including through the AHBA. It also allows providers to attract private capital as part of the financing stack, for example through subordinated or mezzanine debt. As emphasised by the 2021 NHFIC Review, attracting institutional investment plays an important role in providing additional capital for the social and affordable housing sector, considering the significant need for capital.

The guaranteed long-term stream of funding allows CHPs to continue to deliver housing over the long term and maximise the quality and quantity of projects. The \$500 million minimum annual disbursement from the HAFF provides income to support average availability payments of a little over \$15,000 a year per dwelling for up to 30,000 social and affordable homes.

In addition to availability payments, the HAFF will also be able to fund upfront grants for the delivery of new social housing, with these grants funded from the amount of the minimum annual \$500 million HAFF disbursement that is not committed to fund availability payments or acute housing programs. Upfront grants are particularly suitable for supporting high-cost social dwellings where providers have limited available capital, for example remote housing.

The HAFF intends to deliver social and affordable housing equitably across Australia including regional, rural, and remote community. Regional, rural, and remote communities have large barriers to building new dwellings and simultaneously are some of the communities with the high levels of unmet social housing needs. Grants can be used to fund social housing in areas with high barriers to construction. Targeted grants act as a necessary capital injection to make projects commercially feasible. Where appropriate, they can also be combined with availability payments and/or concessional loans.

Additional concessional loan funding

Extensive market consultation prior to the first funding round and subsequent analysis of information received through that round showed that to successfully deliver social and affordable housing through the HAFF and Accord, availability payments alone may be insufficient. In particular, where CHPs do not have any available equity, availability payments alone may be insufficient to attract suitable institutional investment.

As a result, availability payments will be supplemented with highly concessional loans for community housing providers and other charities to support the delivery of new dwellings. These loans will assist CHPs reduce the amount of senior debt or subordinated debt needed to secure and fund the delivery of new dwellings and hence also reduce the availability payment required.

The Government has provided up to \$1.9 billion in additional concessional loans to support community housing providers and other charities deliver new homes under the HAFF and Accord, with the potential to increase this amount, if necessary, in future years.

Competitive tender process

Housing Australia will administer the HAFF and the Accord funding through a competitive tender process. Applicants seeking funding will apply to Housing Australia based on the methods they outline, and the directions set out by the Housing Australia Investment Mandate. The funding will be administered through multiple rounds and fund projects that are assessed to be optimal with regard to Investment Mandate criteria and considerations. These considerations include whether projects are well placed, represent value for money given the extent to which they address unmet acute, social and/or affordable housing needs, show equitable distribution across Australia and more.

After Housing Australia has evaluated applications and entered contracts with proponents that have been awarded HAFF support, these proponents are obligated to carry out the agreed upon building work. Proponents will receive HAFF or the Accord support when they meet the relevant criteria as set out in their contract with Housing Australia. In general, availability payments will be paid once the housing stock has become operational.

Definition of social and affordable housing under the HAFF and Accord

Social and affordable housing does not currently have an agreed upon definition between the states, territories, and the Commonwealth. For the HAFF and Accord, definitions have been created to guide program applicants.

- Affordable housing is defined as 74.9 per cent or less of market rental households below median income. The definition is reflected in the Call for Applications for the HAFF.
- Social Housing is defined as typically 25-30 per cent of household income for low-income households and in accordance with relevant state or territory policies.

These definitions act to standardise applications to the HAFF and Accord.

In addition to the above rent limits, eligibility for HAFF- and Accord-funded homes will also be constrained by the charitable purpose obligations that govern CHPs and other charities expected to deliver the bulk of new dwellings under the programs.

Governance model

Housing Australia

Housing Australia is the main delivery agency of the HAFF and the Accord and will administer the majority of funding for social and affordable housing. The acute housing funding from the HAFF is separately administered by the relevant responsible agency.

Disbursements from the HAFF require formal government approval. The Housing Minister, in consultation with the Treasurer and Finance Minister, is responsible for bringing forward proposals for Government consideration, as part of the annual budget process. It is expected that the Housing Minister would consider advice from the other designated Ministers (Indigenous Australians Minister, Social Services Minister, or Veterans' Affairs Minister) before bringing forward proposals.

The HAFF Act establishes the Housing Australia Future Fund Payments Special Account for the purpose of making grants in relation to acute housing needs. Grants to a state or territory would be channelled through the COAG Reform Fund. Payments to be administered by Housing Australia will be channelled through the Housing Australia Special Account.

Veterans Acute Housing Package

DVA is responsible for delivering the \$24 million Veterans' Acute Housing Program – Capital Works Grant. A competitive, merit-based grant process will award funding to eligible organisations to build or establish new crisis and/or transitional housing for veterans and their families experiencing, or at risk of, homelessness.

As per the HAFF Act, the Minister for Veterans' Affairs is the Designated Minister for grants to address acute housing needs for veterans. DVA will administer Commonwealth grant agreements with successful applicants.

Crisis and transitional housing for women and children

DSS is responsible for delivering the \$100 million HAFF acute housing commitment for crisis and transitional housing options for women and children experiencing family and domestic violence and older women at risk of homelessness. Delivery will be via a 5-year open competitive capital works grant program funding the building, renovation, or purchase of new or expanded crisis or transitional accommodation for the specified cohorts. Grant applicants will need to demonstrate the ability to separately fund delivery of ongoing and fit-for-purpose support services as part of the application process.

The Minister for Housing is a Designated Minister under the HAFF Act for grants to address acute housing needs for women and children experiencing family and domestic violence and older women at risk of homelessness. DSS will administer Commonwealth grant agreements with successful applicants. Grant recipients will be accountable to the Government through clear delivery milestones included in individual grant agreements. Further, the impacts of the grant program will be monitored, including to measure the number of women and children assisted via the program, and the number of additional crisis and transitional accommodation dwellings built, purchased, or refurbished.

Repairs, maintenance, and improvements of housing in remote First Nations communities

Specific indicators and targets for this measure will be considered during the development and implementation program. Findings from these processes will be used to support continuous improvement. The recipient states will be accountable to Government through clear milestones included in payments under the Federation Funding Agreement (FFA) Schedule.

The impact of payments under the FFA Schedule will be monitored, including through reporting requirements. Indicators and targets will be measured through agreed reporting, including measures of the repairs, maintenance, and improvements to housing in remote First Nations communities and the number of dwellings involved in the program.

Other key design features

The HAFF and Accord will provide funding directly to eligible applicants. A key design feature is that the program will provide funding to a wide range of potential housing delivery entities, with CHPs playing an important role, but also state and territory and local governments, and special purpose vehicles (SPVs).

The HAFF continues the government's partnership with CHPs by supporting them to build new social and affordable rental homes. The CHPs sector have a long-term willingness to invest and expand their social and affordable housing stock with the support of the government. However,

previous policy environments have been short-term and inconsistent acting as a roadblock to long term investment. The HAFF allows CHPs to utilise and grow their housing assets with the support of a long-term government subsidy. With government support CHPs are also able to utilise institutional investors to provide financing to enable the new housing stock. HAFF is unique in its approach of coalescing support around CHPs to enable them to build more social and affordable housing with the support of government and private partners.

The purpose of the HAFF and Accord is also to attract private investment into social and affordable housing. As mentioned above, the NHFIC Review in 2021 noted that to address the funding gap, a substantial upscaling of private and public investment, innovation in financing models and intervention from all levels of government is required. The HAFF model, which funds social and affordable housing via returns from a capital investment, implements an ongoing and sustainable source of funding that provides the Government with the flexibility to respond to changing priorities, circumstances, and objectives. Attracting private investment was a key consideration in the development of policy implementation as discussed below.

4. What are the likely net benefits of the HAFF and Accord?

The analysis conducted to compare the benefits of the HAFF and Accord to the status quo draws on existing quantitative and qualitative analysis by a range of stakeholders on the direct and indirect benefits of supplying new social and affordable housing against the known costs of delivering this housing.

4.1 Status Quo

Without government intervention to increase the access to acute, social, and affordable housing, more people will be unable to access a home and experience housing stress and housing instability. As of the 2021 Census, 640,000 Australian households were experiencing homelessness, housing stress, or living in overcrowded housing. Without intervention, this is expected to grow to 940,000 by 2041.⁶⁵

The long-term decline in the social housing stock as a share of the total housing stock, the recent rise in interest rates, and a strained construction industry have created difficult conditions for new housing stock to be delivered. This has placed more pressure on existing housing stock. Without any changes to available funding more people will experience homelessness and housing stress, the growth in social housing stock will continue to fail to keep up with the housing stock, and the shortfall in acute housing needs will continue.

Housing stress

With the pressures on the housing market unlikely to alleviate in the medium- to long-term without intervention, high rates of housing stress will continue. As of 2019-20, one million low-income households were experiencing financial housing stress.⁶⁶ Under the status quo, the severity and length of time renters experience housing stress is also expected to rise.

Slow growth in social housing stock

Under the status quo, growth in social housing stock will remain suppressed. Growth in social housing stock has not kept up with demand resulting in more low-income renters facing a difficult private rental market. Since 2005, the social housing stock has only grown by 36,200 dwellings.⁶⁷

⁶⁵ [Community Housing Industry Association, Quantifying Australia's unmet housing need, https://www.communityhousing.com.au/wp-content/uploads/2022/11/CHIA-housing-need-national-snapshot-v1.0.pdf?x44516](https://www.communityhousing.com.au/wp-content/uploads/2022/11/CHIA-housing-need-national-snapshot-v1.0.pdf?x44516)

⁶⁶ [AIHW - Housing affordability, https://www.aihw.gov.au/reports/australias-welfare/housing-affordability](https://www.aihw.gov.au/reports/australias-welfare/housing-affordability)

⁶⁷ [AIHW - Housing Assistance in Australia, https://www.aihw.gov.au/reports/housing-assistance/housing-assistance-in-australia/contents/social-housing-dwellings](https://www.aihw.gov.au/reports/housing-assistance/housing-assistance-in-australia/contents/social-housing-dwellings)

With projected unmet social and affordable housing needs expected to reach close to one million by 2041, current rates of social housing growth are insufficient.

Continued shortfall of acute housing

There is currently a shortfall in accommodation to support those impacted by domestic and family violence. Family and domestic violence is a key cause of homelessness and housing insecurity among women. Of those that experienced family and domestic violence who received SHS and needed short-term or emergency accommodation, only 69 per cent received accommodation.⁶⁸ Without intervention, the gap in short-term or emergency accommodation will continue.

Some remote social housing for First Nations people is currently in a poor state, as dwellings may lack adequate maintenance and repair. In the Northern Territory up to 40 per cent of new houses built in remote areas are replacements.⁶⁹ Over 50 per cent of First Nations people who live in Very Remote areas experienced overcrowding in 2021.⁷⁰ Overcrowding is an issue because it can place stress on a dwelling's facilities, increase the likelihood of transmission of disease and negatively impact psychological wellbeing.⁷¹ Although the level of overcrowding is projected to decline over time, the rate of overcrowding in remote areas is expected to remain 10 per cent higher than urban and regional Australia in 2028.⁷² The difference in rates of overcrowding between First Nations people living in remote areas and those that live in urban areas represents a significant gap in the wellbeing and outcomes between the two groups. Without intervention this will continue.

Under the status quo, veterans will continue to experience high levels of homelessness. Veterans currently experience homelessness at a rate three times greater than the general population.⁷³ Estimations indicate that of veterans who have experienced homelessness, a quarter are considered chronically homeless (homeless for four months or more within a 12-month period).⁷⁴ Chronically homeless veterans are particularly in need of permanent housing.⁷⁵ With veteran homelessness not

⁶⁸ AIHW - Family, domestic and sexual violence: Housing, <https://www.aihw.gov.au/family-domestic-and-sexual-violence/responses-and-outcomes/housing#respond>

⁶⁹ NIAA - Remote housing Review, <https://www.niaa.gov.au/sites/default/files/documents/2024-04/review-of-the-national-partnership-for-remote-housing-nt-06-2023.pdf>, piii

⁷⁰ AIHW - Aboriginal and Torres Strait Islander Health Performance Framework - Summary report: Housing

⁷¹ AIHW - Health of People Experiencing Homelessness: The Impact of homelessness on health, <https://www.aihw.gov.au/reports/australias-health/health-of-people-experiencing-homelessness>

⁷² North Territory Parliament, Remote Housing Review, https://parliament.nt.gov.au/_data/assets/pdf_file/0003/706683/TP-5-1.pdf, p24

⁷³ Housing All Australians, Leave No Veteran Behind, https://www.rpsgroup.com/imported-media/11982/haa_give-me-shelter_veterans_5_june_final.pdf, p27

⁷⁴ AHURI, Homelessness amongst Australian veterans: summary of project findings, https://www.ahuri.edu.au/sites/default/files/migration/documents/AHURI-Report_Homelessness-Amongst-Australian-contemporary-veterans_Final-Report.pdf

⁷⁵ Greenwood, Ronni & Stefancic, Ana & Tsemberis, Sam. (2013). Pathways Housing First for Homeless Persons with Psychiatric Disabilities: Program Innovation, Research, and Advocacy. *Journal of Social Issues*. 69. 10.1111/josi.12034.

key-marked as part of the national homelessness prevention focus, it is likely to remain prevalent without other intervention.

4.2 Housing Australia Future Fund and the National Housing Accord

Making effective use of available funding

As outlined in chapter 3, the financing model for the HAFF and Accord consists of a flexible financing mix that combines availability payments funded through the HAFF (supplemented with budget funding for the Accord) with upfront grants funded through the HAFF disbursements to support the provision of higher-cost social housing, along with concessional loans from the Government for CHPs and other charities.

This funding mix maximises the value of the HAFF disbursements using availability payments while also drawing on grants and highly concessional loans to provide specific assistance to CHPs to address the lack of available free capital these entities can contribute as equity to new developments.

More social and affordable dwellings lead to better housing outcomes and lower overall costs for taxpayers

By delivering more social and affordable homes, the significant direct and indirect costs of failing to adequately house vulnerable households under the status quo are avoided. Under the HAFF and Accord, 40,000 new social and affordable homes will significantly boost the stock of social and affordable housing across Australia and will work towards fulfilling the unmet housing needs in the community.

This means more individuals and households will be able to access safe and affordable housing. Assuming a household size of around 2 people per household for social housing, around 80,000 additional people may be able to access social and affordable housing. This will reduce the social housing wait list.

Broadly, the HAFF and Accord will decrease the number of people experiencing rental stress through more social and affordable housing. Stable and affordable housing will improve occupants mental and physical health, and their ability to participate fully in society. This represents a net gain to society (as detailed in section 4.3). Finally, the HAFF and Accord will decrease the gap in acute housing needs through targeted housing for venerable cohorts. The benefits of the HAFF and Accord are multi-layered and far reaching.

[https://www.researchgate.net/publication/259553346 Pathways Housing First for Homeless Persons with Psychiatric Disabilities Program Innovation Research and Advocacy](https://www.researchgate.net/publication/259553346_Pathways_Housing_First_for_Homeless_Persons_with_Psychiatric_Disabilities_Program_Innovation_Research_and_Advocacy)

Strengthening the community housing sector

The HAFF focuses on using CHPs proponents to develop and operate new social and affordable housing brought on through HAFF support. The CHP sector has advantages in serving and understanding the communities and people to effectively meet the demand for social and affordable housing. Investment in the CHP sector is guaranteed to stay within the CHP sector and thereby have a lasting impact on the availability of social and affordable housing. With support for housing capital growth through the HAFF, CHPs can strengthen their balance sheets and create economies of scale that make further housing capital expansion more accessible and affordable. CHPs were chosen as the priority delivery agent for their effectiveness in sustaining and delivering the HAFF's investment into social and affordable housing.

The CHP providers will strengthen their ability to expand through the uplift in housing stock through the HAFF supported dwellings. Currently, CHPs do not have the sufficient financial capacity to expand social housing stock in themselves and require additional grants, concessions, and subsidies to make their projects feasible. Mainstream finance such as institutional investors find the economies of scale inadequate in CHP projects and the illiquid nature of social housing constrains their ability to invest easily⁷⁶. With HAFF support, new social and affordable dwellings will contribute towards building up the CHP sector's housing stock and strengthen the balance sheet of the CHP sector. Stronger balance sheets represent safer lending and investing partners for institutional investors. CHPs can leverage their stronger financial position to procure cheaper financing and investment to further build on the investments brought by the HAFF. The multiplier effects HAFF support has on the CHP sector address the call for greater economies of scale within the sector. A more capable CHP sector will be able to continue to build up the affordable and social housing stock to the benefit of those at risk of homelessness and facing housing stress. HAFF support has a multiplier effect by strengthening the financial position of CHPs from which they can continue to invest in new social and affordable housing stock.

The social and affordable housing sector's growth is primed for a long-term and consistent expansion from the HAFF. Growth in the affordable housing industry has been hampered by a lack of long-term funding arrangements.⁷⁷ With the HAFF investment, the Government is able to put the underutilised organisational scale and capacity of affordable housing industry to work.⁷⁸ These existing resources would not be utilised without HAFF support and represent a net gain through

⁷⁶ [Reforming Social Housing: financing and tenant autonomy.](https://www.pc.gov.au/data/assets/pdf_file/0004/219730/subdr544-human-services-reform-attachment1.pdf)
https://www.pc.gov.au/data/assets/pdf_file/0004/219730/subdr544-human-services-reform-attachment1.pdf

⁷⁷ [AHURI - Developing the scale and capacity of Australia's affordable housing industry, p15.](https://www.ahuri.edu.au/sites/default/files/migration/documents/AHURI_Final_Report_No278_Developing-the-scale-and-capacity-of-Australias-affordable-housing-industry.pdf)
https://www.ahuri.edu.au/sites/default/files/migration/documents/AHURI_Final_Report_No278_Developing-the-scale-and-capacity-of-Australias-affordable-housing-industry.pdf

⁷⁸ [AHURI - Developing the scale and capacity of Australia's affordable housing industry.](https://www.ahuri.edu.au/sites/default/files/migration/documents/AHURI_Final_Report_No278_Developing-the-scale-and-capacity-of-Australias-affordable-housing-industry.pdf)
https://www.ahuri.edu.au/sites/default/files/migration/documents/AHURI_Final_Report_No278_Developing-the-scale-and-capacity-of-Australias-affordable-housing-industry.pdf

the HAFF policy. The HAFF acts to stimulate utilisation and economies of scale gains to the organisations and providers of the affordable housing industry.

Investment fund as the funding vehicle

The HAFF is based on a well-established investment model. The Government already manages \$242.6 billion in total fund assets across six different investment funds. The largest is the \$211.9 billion Future Fund, which has made a ten-year return on investment of 8.2 per cent per annum against a target of 6.9 per cent per annum.⁷⁹ As at 31 December 2023, all funds bar one (the Aboriginal and Torres Strait Islander Land and Sea Future Fund, established in October 2019) have exceeded their targeted annual returns, which are then disbursed to recipients in order to meet individual fund objectives.

Underpinning the fund is the empirical evidence that over the long-term markets increase in real value and thereby the investments within financial markets grow in value.

Attracting private capital

An objective of the program is to encourage private investment in social and affordable housing. As outlined in the 2021 NHFIC Review, the very large gap in financing must draw on both public and private capital. The development side of the community housing sector is still nascent in Australia – it lacks the proven maturity, scale, or conventions to attract sufficient institutional investment. By delivering an ongoing funding stream to help bridge the gap between market rents and subsidised rents, the HAFF will make more social and affordable projects commercially viable to bring in private sector capital to the sector. The influx of private capital will act to bring additionality to the government investment. As a result, the HAFF can further contribute to the sustainable development of the community housing sector.

The HAFF will also accelerate the growth of the sector through government investment to attract and coordinate participants in the market and provide confidence in social and affordable housing as an investment class. With sufficient scale, institutional capital will be attracted to grow their investment in social and affordable housing supply. Institutional capitals' involvement in the provision of housing is advantageous as they have the capability to provide stable growth in the housing supply and build at high density due to their long-term investment horizon.⁸⁰

There is a strong appetite in the private sector to support social and affordable housing, with government support.

⁷⁹ [Future Fund | Portfolio Updates, https://www.futurefund.gov.au/en/investment/investment-performance/portfolio-updates](https://www.futurefund.gov.au/en/investment/investment-performance/portfolio-updates)

⁸⁰ [Barriers to Institutional Investment, Finance and Innovation in Housing, https://nhsac.gov.au/sites/nhsac.gov.au/files/2024-02/barriers-to-institutional-investment-report.pdf](https://nhsac.gov.au/sites/nhsac.gov.au/files/2024-02/barriers-to-institutional-investment-report.pdf)

Supporting demand in underutilised parts of the construction sector

Higher interest rates and elevated construction costs are weighing on the demand for new housing. These factors are expected to cause dwelling investment to contract by 3 per cent in 2023-24 and remain flat in 2024-25.⁸¹ While there remain a number of pressures in the construction industry, approvals for medium- and high-density dwellings have been subdued for some time. This indicates that there may be significant spare capacity for delivering dwellings of this type, which will limit the risks of materially crowding out private construction. The price of early-stage construction processes has also declined, and the price of later-stage construction processes has started to moderate.

The bulk of the new dwellings supported by the HAFF and Accord programs are likely to be medium-high density dwellings and create a substantial source of stable and predictable demand for this part of the construction sector, offsetting recent declines in approvals for new projects and supporting ongoing activity. Further, the majority of HAFF-supported projects will commence construction within a few years rather than immediately, which reflects planning and approval lead times. Construction will accelerate from 2026-27, which is when new supply and new demand is expected to be in balance.⁸² The HAFF will therefore avoid exacerbating capacity constraints in the near-term.

HAFF and Accord funding for eligible entities to purchase dwellings currently under construction or recently completed will result in a short-term diversion of a small number of such dwellings from the private market to the social and affordable sector. However, over the life of the program it is expected almost all HAFF and Accord supported dwellings would be entirely additional to new dwelling supply as these programs will only be delivering new dwellings that are non-commercial and would not be constructed without the government subsidy. Similarly, the measures are expected to result in very little displacement of private demand for dwellings as the HAFF and Accord supported dwellings will be available only to low-income tenants whose housing needs are currently not being met.

Recognising the shortage of construction workers in recent years, the Government will invest \$88.8 million to grow the pipeline of construction workers through 20,000 additional fee-free TAFE and pre-apprenticeship places. The Government will also provide \$1.8 million to deliver streamlined skills assessments for around 1,900 migrants to work in Australia's housing construction industry.

The Government is further supporting the construction industry by investing in enabling infrastructure, as the lack of existing infrastructure may make developments uneconomical. To overcome this barrier to new housing, the Housing Support Program will offer state and local

⁸¹ [Australian National Accounts: National Income, Expenditure and Product, https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-national-income-expenditure-and-product/dec-2023](https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-national-income-expenditure-and-product/dec-2023)

⁸² [National Housing Supply and Affordability Council \(2024\), 'State of the Housing System 2024', p. 88., https://nhsac.gov.au/sites/nhsac.gov.au/files/2024-05/state-of-the-housing-system-2024.pdf](https://nhsac.gov.au/sites/nhsac.gov.au/files/2024-05/state-of-the-housing-system-2024.pdf)

governments a total of \$1.5 billion to develop the infrastructure required to enable new homes to be built (for example, connecting sewerage, water, and roads). This initiative will support steady demand for a relatively underutilised segment of the construction sector and help make more projects financially viable.

4.3 Benefit Estimation

Approach

The approach to examining the benefits of the HAFF focuses on the direct and indirect social benefits that arise through the provision of social and affordable housing. Estimations of 'social' or 'societal' benefits vary in their assumptions, methodology and scope. The literature on the benefits of social and affordable housing is nascent and is a complex area to apply a monetised cost-benefit analysis (CBA) framework to. The multifaceted nature of the social and affordable housing's benefits as well as its purpose to act as a welfare service means CBAs can under-estimate the true value the housing gives to society.⁸³

Due to the complexity of estimating the benefits and conceptual difficulty in applying CBA frameworks to the provision of housing, this report presents a selection of research on the topic. The report does not conclude any estimation more accurate than another, rather we present the findings from relevant Australian studies.

Social and Green benefits calculator (SIGMAH).

SIGMAH is a tool developed by the Community Housing Industry Association (CHIA) and partners to calculate the wider social and economic benefits of social and affordable housing project proposals. In CHIA's report *Unlocking positive social benefits with social and affordable housing* SIGMAH estimates that 40,000 social and affordable dwellings would produce a combined \$33.6 billion in benefits over a 40-year time span. These benefits capture a broad range of "wider social, economic and welfare benefits as a direct effect of accessing affordable and appropriate housing" as well as other conventional benefits such as the capital appreciation of the housing stock.

⁸³ [The business case for social housing as infrastructure, https://www.ahuri.edu.au/sites/default/files/migration/documents/AHURI-Final-Report-312-The-business-case-for-social-housing-as-infrastructure.pdf](https://www.ahuri.edu.au/sites/default/files/migration/documents/AHURI-Final-Report-312-The-business-case-for-social-housing-as-infrastructure.pdf)

Table 4.1 – Benefits of investment in social and affordable housing⁸⁴

Benefits Category	Benefit of 40,000 dwellings per annum (\$=2023)	Benefit of 40,000 dwellings over 40 years
Wider social, economic welfare benefits and environmental & amenity benefits	\$110m	\$4.4bn
Cost-of-Living Relief for Tenants in Social and Affordable Housing	\$404m	\$16.2bn
Land and building value appreciation	\$325.6m	\$13bn

Give me shelter

A 2022 analysis by SGS Economics and Planning, together with Housing All Australians, calculated the benefit-cost ratio of meeting social and affordable housing need was 2:1, that is, for every \$1 invested, the Australian community gets back \$2 in benefits.⁸⁵ The CBA used an approach of discounting outputs and consideration of a broad range of benefits over a 30-year time horizon. The analysis affirms the benefits of social and affordable housing infrastructure as positive and comparable to or better than other major infrastructure investments.⁸⁶

Assessment of benefits from an equivalent program

The potential value of net benefit from the HAFF and Accord can also be inferred from reviewing the post-Global Financial Crisis Social Housing Initiative (SHI) policy. The SHI was a schedule to the National Partnership Agreement on the Nation Building Jobs Plan. This National Partnership Agreement began in 2009 and expired on 31 December 2012.

The main aims of the SHI were to stimulate the construction industry and to increase the supply of social housing. It supported both the construction of new social housing (\$5.2 billion) and the repair and upgrade of existing homes (\$400 million) across all states. Around 19,700 new social

⁸⁴ Nygaard, C.A. and Kollmann, T. (2023) 'Unlocking positive social benefits with social and affordable housing'. Community Housing Industry Association: Sydney, https://www.communityhousing.com.au/wp-content/uploads/2023/10/SCBA-Illustrator-Social-and-Affordable-Housing_after-peer-review-OCT-2023.pdf

⁸⁵ SGS – Give Me Shelter, p3, https://sgsep.com.au/assets/main/SGS-Economics-and-Planning_Give-Me-Shelter.pdf

⁸⁶ SGS – Give Me Shelter, p10, https://sgsep.com.au/assets/main/SGS-Economics-and-Planning_Give-Me-Shelter.pdf

housing dwellings were built. The average cost to the Government per dwelling was \$265,672 (as of 31 January 2013), which is less than the expected cost at commencement of the initiative (\$300,000 per dwelling). The repairs and maintenance element enabled approximately 80,000 existing social housing dwellings to benefit from an upgrade. This included major renovations to over 12,000 social housing dwellings, which were vacant or would have become uninhabitable without this work.

A review of the SHI by KPMG in 2012 found in addition to exceeding its primary objectives, the scale of the SHI provided opportunities for flexibility in delivery models and more tailored approaches. This included new ways of interacting and working with the construction industry (through build and sell projects), continuation of growth strategies (such as co-contributions from CHPs) and the traditional build and transfer of dwellings to CHPs. KPMG noted the SHI has had a positive impact on the economy, providing around 9,000 full time jobs in the construction industry and increasing overall GDP by 0.1 per cent (10 basis points). In addition, the SHI has benefited individual clients across all states and assisted some of Australia’s most vulnerable people into permanent, good quality housing arrangements.

While differing in their approaches, these external analyses provide significant evidence of the net benefit provided by the HAFF and Accord.

4.4 Regulatory Burden Estimate Table

Table 4.2: Regulatory burden estimate (RBE) table - Average annual regulatory costs (from Status Quo)

Change in costs (\$ million)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	\$0.0	\$8.0	\$0.0	\$8.0

Methodology used to estimate costs to Community Organisations

Under the Housing Australia Future Fund and the National Housing Accord policy, regulatory costs to community organisations come from the time it takes for CHPs that are unsuccessful in their application to apply to Housing Australia. Applicants are required to factor in their regulatory costs in the financial estimate of their proposal. Successful applicants are thus reimbursed for the regulatory burden incurred to them under Option 2, and only unsuccessful applicants have non-zero regulatory costs. That cost results from the working hours spent preparing the application, and the external consultation sought in that process.

Based on information provided by stakeholders, the following assumptions were made to determine the regulatory costs to community organisations under Option 2:

- Up to 200 unsuccessful applications per year,
- Applications are made over the first five years of the program,
- An application costs a CHP an average of 80 hours,
- The average external cost per application is \$36,960.

Using the Office of Impact Analysis estimate for work-related labour costs, each hour worked costs the CHP \$85.17.⁸⁷

Combining these assumptions, we find that the aggregate real regulatory cost under Option 2 is \$8 million, with an average yearly real cost of \$1.5 million over the five-year application period of the policy.

Methodology used to estimate costs to businesses

Under Option 2, businesses are eligible to apply for funds if they work jointly with community organisations, with the community organisations having ownership and responsibility for the funds. We have thus included the regulatory burden incurred on businesses in the community organisations section.

Methodology used to estimate costs to individuals

Under Option 2, individuals are not eligible for the program.

⁸⁷ [Regulatory Burden Measurement Framework, https://oia.pmc.gov.au/resources/guidance-assessing-impacts/regulatory-burden-measurement-framework](https://oia.pmc.gov.au/resources/guidance-assessing-impacts/regulatory-burden-measurement-framework)

5. Consultation

Treasury has undertaken extensive consultation with a wide range of stakeholders to seek information and feedback on the design for the implementation of the HAFF and Accord within the parameters provided by Government for the HAFF election commitment. In addition, the first funding round was used to gauge and understand key policy questions to inform implementation.

5.1 Consultation rounds

Housing Legislative Package

Consultation on the Housing Australia Future Fund Bill 2023, the National Housing Supply and Affordability Council Bill 2023 and the Treasury Laws Amendment (Housing Measures No. 1) Bill 2023 draft legislation was conducted between 19 December 2022 and 11 January 2023. A total of 46 submissions were received, and meetings were held with a number of stakeholders including state and territory governments. Feedback from the consultation process was included in the final bills, which were introduced to Parliament on 9 February 2023.

On 9 February 2023, the Senate referred the provisions of the Housing Australia Future Fund Bill 2023 to the Economics Legislation Committee for inquiry and report by 22 March 2023. The Senate Committee recommended that the Senate pass the Housing Australia Future Fund Bill 2023 – the report can be viewed here:

https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/HousingPackageofBills/Report

On 22 February 2024, the Australian Government tabled its formal response to the Senate Committee's inquiry – the response can be viewed here: <https://treasury.gov.au/publication/p2024-483298>.

Consultation materials and submissions for the Housing Australia Future Fund Bill 2023 can be viewed here: <https://treasury.gov.au/consultation/c2022-343652>

Amendments to the Housing Australia Investment Mandate

Following passage of the legislation, Treasury sought feedback on the Exposure Draft versions of amendments to the Housing Australia Investment Mandate Direction 2018 which establish the Housing Australia Future Fund Facility and National Housing Accord Facility and provide directions to Housing Australia.

The directions set out the parameters that guide the Housing Australia Board in its delivery of the HAFF and Accord. This includes eligibility criteria for projects and applicants, and the criteria by which applications for funding from the HAFF and Accord are to be considered. The criteria include

parameters such as whether the proposed dwellings represent value for money, their location relative to school, work, transport, and more.

These consultations were undertaken from 25 October 2023 to 8 November 2023. Stakeholders were given an opportunity to provide feedback on the amendments to the Investment Mandate with focus on the application requirements and the types of financing. A total of 40 written submissions were received covering 31 different topics/issues from a range of stakeholders including CHPs, peak bodies, First Nations housing organisations, institutional investors, the development and construction sector, local government organisations and state and territory departments and agencies. Key recommendations that were incorporated into the final Investment Mandate include:

- requiring registered CHPs to also be registered as charities with the Australian Charities and Not-for-profits Commission,
- allowing for flexibility in complying with energy efficiency and liveable housing design standards, and
- broadening the 'value for money' provision to account for meeting priority needs and unmet demand.

Consultation materials and submissions for the Housing Australia Investment Mandate Direction can be viewed here: <https://treasury.gov.au/consultation/c2023-458116>.

Other consultation processes

Consultations with other Commonwealth departments and agencies

Treasury consulted with a range of Commonwealth departments and agencies in developing options for the HAFF and Accord, including Housing Australia, the Department of Finance, the Department of Social Services, the Department of Prime Minister and Cabinet (including the Office for Women), and the Department of Health and Aged Care (to discuss the Medical Research Future Fund). Treasury has also consulted with the Department of Veterans' Affairs and the National Indigenous Australians Agency, with feedback on HAFF payments for services relating to veterans and remote First Nations communities incorporated into the Bill and in the design parameters for the administration of HAFF disbursements. Further, legal advice was sought from the Australian Government Solicitor to ensure HAFF payment decisions are cognisant of constitutional and legislative risks.

The Department of Finance also consulted with the Future Fund on the Housing Australia Future Fund Investment Mandate.

Targeted market testing by Housing Australia

Housing Australia expertise and learnings informed the design and delivery of the HAFF disbursement model. This includes preparatory market testing on the proposed funding model,

particularly on how finance stacks would attract institutional investment and enable projects to be commercially feasible.

Commonwealth-state engagement

The Department engaged with state and territory housing officials to seek information on state housing programs and social and affordable housing funds, including multiple roundtable discussions with state and territory government departments.

5.2 Consultation on the Housing legislative package

Key Themes

Ensure Housing Australia has ongoing funding certainty to attract institutional investment

A broad range of stakeholders wanted the legislation to be amended to ensure Housing Australia has sufficient funding to meet ongoing obligations to attract institutional investment. This includes that the relevant Minister's decision does not override Housing Australia's commitment.

Various views on HAFF disbursement

Many stakeholders had various opinions on how the disbursements from the HAFF were reviewed and benchmarked. A cohort of stakeholders suggested various means to alter disbursements to achieve real levels of investment or adjust according to prevailing conditions.

State and territory funding conditions and considerations

Some stakeholders suggested for states and territories to receive HAFF support they must match funding received from the HAFF or achieve a non-financial housing policy outcome (e.g., planning, zoning, etc).

Definition of 'acute', 'social' and 'affordable' housing

A large group of stakeholders asked for the terms 'affordable housing', 'social housing' and 'acute housing' to be defined. The stakeholders held various perspectives on the correct definition or classification of each housing type and which cohorts each type should support.

Intended HAFF funding recipients

Many stakeholders preferred a proportion or the entirety of HAFF funding to only support projects from certain groups and types of proponents.

A group of community housing organisations petitioned for not-for-profit CHPs to be the only providers of social and affordable housing under the HAFF, with allowing CHPs to partner with government and other entities.

Aboriginal Community Housing Industry Association (ACHIA) NSW and Homes Victoria desired for a proportion of HAFF funding to be allocated to Aboriginal communities and/or organisations.

A stakeholder advised the Bill to expand the eligible proponents beyond only CHPs. A broad range of eligible proponents would encourage institutional capital to enter the social and affordable housing sector.

Type of dwellings under the HAFF

Several stakeholders preferred HAFF support to only be made to projects that added to housing supply, and any maintenance or upgrades must demonstrate additionality.

Review and Reporting

A group of state and territory stakeholders asked for regular reports on outcomes, grant recipients, application and competition timeframes, geographic spread of funding, and a summary of housing types, size, and tenure to aid housing policy nationally.

Response and considerations

Most of the advice taken was better suited to be reflected in amendments to the Investment Mandate. Below are recommendations from the HAFF Bill consultation addressed in the Investment Mandate:

- Dwellings supported by the HAFF must be new and increase the supply of social and affordable housing.
- Regular reporting to the Minister on the number of projects, type of persons assisted by the projects, the location, the type of project (i.e., social, affordable, or acute), financing sources and more.
- Broad number of eligible proponent types that provides the opportunity for institutional capital to participate in HAFF support.

The Government adopted the recommendation to index disbursements. Parliamentary Amendments were made to require in the legislation that disbursements from 2028-29 onward are adjusted by the Consumer Price Index (CPI).

Where feedback received during the Exposure Draft consultation process was not incorporated in the final legislation, this decision was based on consideration of the policy's intent and its effectiveness in achieving the policy's goal. Responses to policy feedback that were not incorporated into the final legislation are below.

Stakeholders suggested a range of alternative methods of determining the disbursement amount. A \$500 million designated annual amount would meet the goals of the HAFF program while ensuring the initial capital couldn't be drawn down without consideration.

A definition for 'acute', 'social' and 'affordable' housing captured in the HAFF Act was deemed impractical due to the variation in definition across jurisdictions. The Government continues to work with state counterparts in determining a consensus on definitions for these terms.

Stakeholders' request that HAFF support be limited to CHPs, or similarly that specific proportions of the HAFF funding be allocated for specific target cohorts, was not adopted as this approach would be costly and would make it more difficult to increase total social and affordable housing in a timely matter.

A stakeholder's desire for institutional investment is addressed in the broadened range of eligible proponents to include joint venture entities as outlined in the Investment Mandate.

5.3 Consultation on the Amendments to the Housing Australia Investment Mandate Direction

Key Themes

Affordable housing definition

A majority of stakeholders called for the Investment Mandate to include a definition of affordable housing. Stakeholders reasoned a definition would ensure the HAFF would only support projects that aim to faithfully provide affordable housing. Furthermore, clarity in the definition would facilitate more institutional investment interest in HAFF projects. Community housing sector stakeholders recommended a two-part test: a discount to market rent and a benchmark percentage of household income.

Developer stakeholders did not support a definition of affordable housing. Housing Australia considered a definition to be unnecessary for the Investment Mandate and proposed it to be included in the funding documentation.

Requirement for CHPs to be registered charities to receive HAFF support

Many stakeholders strongly preferred that housing projects supported by the HAFF would remain social and affordable in the long term. This preference is due to for-profit organisations being able to gain CHP registration; stakeholders recommended that CHPs must also be registered as an Australian Charity and non-for-profits Commission (ACNC) charity.

Concerns over strict requirements of National Construction Code (NCC) compliance

Most stakeholders raised concerns over the strict requirement that projects comply with NCC 2022 energy efficiency and liveable housing design without any transitional arrangement. Projects undergoing construction during the consultation period were not NCC 2022 compliant and therefore would not be eligible to support if the draft IM were to go ahead unaltered. There was

disagreement on the significance of the NCC compliance cost between the construction industry and the Australian Building Code Board.

Housing Australia recommended to have consistent energy efficiency standards across the HAFF and NHAF for ease of administration.

Concerns Special Purpose Vehicles (SPV) are able to profit from HAFF support

Stakeholders were concerned SPV structures could be used by private commercial interests to indirectly profit from Commonwealth funding through the involvement of a CHP. Stakeholders noted a preference that all SPVs are required to be registered to ensure regulatory oversight and that assets remained within the sector in the event of a liquidation.

Growth and development of the CHP sector as a policy goal

Housing Australia and the CHP sector stakeholders suggested incorporating growth of the CHP sector into the financing decision and the purpose of the HAFF. These changes would direct Housing Australia to prefer projects by CHPs over other proponents. Housing Australia has concerns state governments have an advantage over other proponents due to their access to free land and cheap internal loans. By preferring CHPs and other proponents over state and territory governments it would increase the field of applicants.

Requirement of value for money

Stakeholders were concerned the requirement of value for money in 'eligibility for loans and grants' will lead to the unintended consequence of disproportionate support for low cost and high yield projects. Stakeholders suggested balancing the desire for value for money with other objectives such as its ability to address unmet needs. CHP stakeholders sought the additional needs-based criteria to be included alongside considerations of value for money.

State and territory involvement

State and territory government stakeholders as well as a couple CHP stakeholders desired more involvement in the delivery of the HAFF. In particular, states advocated for Housing Australia to consider their advice on priority needs and locations when making financing decisions.

Some state government stakeholders were not supportive of any favour towards projects with state funding support due to the potential of double counting.

Stakeholders were concerned of the conflict of interest brought by state and territory governments having a consultative role.

Lack of recognition of Aboriginal and Torres Strait Islander Community Controlled Housing Organisations (ATSICCHOs)

The National Aboriginal and Torres Strait Islander Housing Association (NATSIHA) shared the concern that the Investment Mandate does not recognise ATSICCHOs and understand their communities' housing needs. Without consideration of ATSICCHOs they are likely unable to influence the decision-making process to achieve culturally appropriate housing outcomes. Furthermore, ATSICCHOs may not be able to access HAFF support as readily as mainstream organisations.

Response and considerations

Treasury took on the advice which resulted in the Housing Australia Investment Mandate Amendment Direction 2023 addressing the following:

- For CPHs to be eligible for HAFF support they must both be registered as a charity under the ACNC and registered as a CHP.
- SPVs must have at least one of its members to be compliant with eligibility for HAFF support.
- NCC requirements were changed to be the energy efficiency for houses and apartments in Parts H6 and J2 of the NCC, with the requirement now that homes should meet the highest NCC energy efficiency requirements that are reasonably practicable to implement. These requirements are consistent across the Accord and the HAFF.
- Value for money is considered in respect to both the amount of housing delivered and its ability to address the unmet social, affordable, and acute housing needs.
- A series of measures focused on regional, rural, and remote areas including:
 - Adding "including in regional, rural and remote areas" in references to the location and distribution of projects the HAFF intends to support.
 - To report the number of projects funded in regional, rural, and remote areas in the quarterly review.
- When making financing decisions, whether HAFF funding would complement, leverage, or support other Commonwealth, state or territory finance or activities would be considered.

Where feedback received during the Exposure Draft consultation process was not incorporated in the final legislation, this decision was based on consideration of the policy's intent and its effectiveness in achieving the policy's goal. Responses to policy feedback that was not incorporated into the final legislation is below.

Stakeholder's suggestion for the inclusion of an explicit provision to grow the CHP sector were not taken on. These changes would entail the favouring of one group of proponents over another which could be detrimental to the number of applicants for funding. The objective of the HAFF is to increase the ongoing number of social and affordable housing. Therefore, achieving value for money is key to maximising the effectiveness of the policy and thereby disadvantaging certain groups of applicants is not conducive to this.

Given the ongoing work to determine a national approach to 'affordable housing', a definition of 'affordable housing' was not included within the Investment Mandate. Instead, Housing Australia was given the discretion to include a definition of 'affordable housing' in their documentation for their initial funding round.

ATSICCHOs are recognised as eligible proponents and broadly the HAFF intends to equitably address needs across Australia, which includes the needs of Aboriginal and/or Torres Strait Islander peoples. NATSIHA concerns over ATSICCHOs are understood and would be best addressed outside of the Investment Mandate. The Government has provided additional funding for capacity building, and has incorporated development of ATSICCHOs as an explicit objective.

Some stakeholders advocated for a proportion of funding or a certain number of dwellings to be allocated to regional, rural, and remote areas. Untested overly prescriptive targets will complicate Housing Australia's ability to increase the supply of new social and affordable housing and thereby conflicts with the policy goal. To balance the needs of regional, rural, and remote areas and the objectives of the HAFF, the Investment Mandate explicitly states the inclusion of regional, rural, and remote areas throughout the Investment Mandate.

State and territory governments were not given a consultative role or opportunity due to the conflicts of interest involved. Housing Australia will consider the involvement and/or contribution of state and territory governments when evaluating applications, as set out in the HAFF's Investment Mandate.

5.4 First application round

While information from the consultation processes for the legislation package and Investment Mandate amendments provided significant clarity on several aspects of the program design, there remained some uncertainty around market demand, the capacity of the community housing sector to deliver the targeted dwellings, the average cost of new dwellings and the types of funding that would best support delivery in the sector.

The first funding round of the HAFF and Accord generated significant interest and provided the key outstanding information required to inform the final policy design. Market demand was high in the first round with a sufficient field of quality applications to bring forward for the first tranche of dwellings. Applicant data on the financing mix brought forward was broadly consistent with previously anticipated financing compositions.

The information provided through the first funding round helped inform the financial criteria and funding envelope for Housing Australia to commence delivery of the programs. The market demand assured that future rounds would be competitive and support the commitment to deliver the targeted dwellings. The funding round also acted as a market survey to the speed and readiness at which funds from the programs could be deployed to support social and affordable housing.

The financing composition data provided by applicants gave insights into the costs of the first round of supported dwellings but also the indicative cost of the program. The data also informed the necessary supports the Government needed to ensure delivery of value for money and the efficient use of funds. The funding composition requested by applicants supported previous understandings of the type of financing the market would seek.

6. Chosen option and implementation

Delivering the HAFF and Accord as described in chapter 3 is the preferred option. This outcome is supported by available evidence showing significant net public benefits from the delivery of new social and affordable dwellings.

Treasury further notes that there are likely to be substantial second-round housing benefits due to the use of CHPs and other charities as the primary delivery option. These include the additional homes and services CHPs will be able to fund by drawing on the capital growth of HAFF and Accord projects, the benefits of growing the scale and sophistication of the CHP sector through lower costs and improved services, as well as lower average costs of finance as lenders gain confidence in the sector.

6.1 Implementation details

While the broad policy criteria were established by the Government's election commitment, the focus of the detailed policy design and implementation model has been to achieve the following broad objectives:

- Maximising the effective and efficient use of the HAFF and Accord funds, and ensuring dwellings provide value for money for the Government and balance a range of criteria. This has been addressed by ensuring the criteria for selecting projects for support are clearly defined in the Housing Australia Investment Mandate and by ensuring all policy choices have been informed by real market information and evidence.
- Delivering dwellings across all jurisdictions in markets with widely varying degrees of market composition and housing need. This has been addressed by establishing a multi-pronged program delivery framework that can be adapted to suit a range of different markets.
- Ensuring the program is flexible and can be adapted over time in response to a changing economic environment. This has been addressed through a combination of flexible program criteria that allow Housing Australia to adapt delivery to the needs of each jurisdiction and the establishment of regular and detailed reporting requirements for Housing Australia. These requirements assist oversight and monitoring of the program and build a detailed evidence base to inform ongoing policy refinements and fixes where necessary.
- Building risk identification and management into the structure of the program, regular implementation reviews as part of the annual HAFF disbursement decision making process, drawing on the strong evidence base created through effective reporting.

Housing Australia through the HAFF and the Accord delivery process will generate the data necessary to support successful implementation due to the competitive tender process delivery method as well as the reports to the Minister as previously mentioned.

Review mechanism

The HAFF Act includes a review mechanism intended to provide the opportunity to consider whether the Act is improving housing outcome and the extent to which acute, social, and affordable housing needs are being met. The adequacy of the annual disbursement amounts from the HAFF will also be considered periodically as part of the legislated reviews. As required by the HAFF Act, the first review will be completed by 31 December 2026 with a review every 5 years thereafter.

Recipients of HAFF payments will be required to regularly report on how the funds are spent, including outcomes achieved from those funds. These reporting requirements will be proportional and consistent with existing frameworks, such as the Commonwealth Grants Rules and Guidelines and the *Federal Financial Relations* framework.

6.2 Implementation challenges

Competitive and transparent procurement

The success of the HAFF lies in the competitive tender process yielding the quantity or quality of applications that meet program targets and objectives. Given the HAFF must disperse a minimum quantity of funding each year, without a sufficient number of quality applications funds can be underutilised and would undermine the success of the policy.

To mitigate the risk from the competitive tender process Housing Australia and Treasury continue to consider feedback from stakeholders on the tendering process. For example, Housing Australia has conducted market sounding and consulted the market on its funding documentation.

Based on feedback from stakeholders, including community housing industry associations and state and territories, Housing Australia's first funding round under the HAFF and Accord, open between 15 January and 22 March, has received significant interest and a substantial number of applications, noting that quality will be determined through the evaluation process.

Constraints in residential construction industry

The overall impact of the scheme on the residential construction sector nationally is expected to be relatively minor, with the peak of HAFF and Accord construction activity coinciding with a period of relatively subdued private demand for new dwellings. However, the uncertain conditions and high costs in the residential housing industry may cause problems for applicants in procuring builders to partner with in some cases.

In particular, the HAFF objective of supporting projects on an equitable basis across Australia may be put at risk if builder shortages in remote and rural areas are significant. Furthermore, the requirement to build a minimum of 1,200 dwellings in each state and territory may exacerbate capacity constraint risks in smaller jurisdictions.

Constitutional basis

The Commonwealth does not have a specific head of legislative power for housing in the Constitution. Accordingly, legislation implementing housing policy must be supported by heads of legislative power that deal with other subject matters.

The *Treasury Laws Amendment (Housing Measures No. 1) Act 2023* (Amendment Act) (which received Royal Assent on 28 September 2023) amended the Housing Australia Act to simplify the functions and constitutional basis of the Housing Australia Act, improving the readability and operation of these provisions. Section 10 of the Housing Australia Act provided that Housing Australia must perform its functions only for purposes related to specific constitutional powers.

Sustainability of the fund

As for all Future Funds, there are risks that broader economic conditions and market volatility may result in an extended period of poor returns. While individual years of sub-optimal returns may be offset by years of additional surplus over the long term, this risk may impact the HAFF's capital or require additional Budget funding.

Land release

Achieving the targets of the HAFF may also require a sufficient supply of land to be released, depending on the proportion of the 30,000 social and affordable houses to be provided through new builds. The Commonwealth is working closely with states and territories, including through Accord and NHAA, to help address these risks.

7. Measuring success

Reviews and data collection mandates have been put in place to ensure the program is delivering its objectives of improving access to social and affordable housing to meet the needs of the community. These reviews and data collection provisions serve to ensure the program operates effectively in delivering its objectives.

Foremost, the Housing Australia Investment Mandate sets out reporting requirements for Housing Australia on the projects being supported by the HAFF and the Accord. The data in these reports contains details regarding the projects: the number, the dwelling type (i.e., social or affordable), total finance received, type of finance, location and more. These reports are delivered quarterly and provide a timely insight into the ongoing roll out of the program. Housing Australia and Treasury can leverage this dataset to monitor and tune the program to ensure the types and locations of projects are well placed to meet the needs within the community.

Ministers have discretion over the HAFF's annual disbursement process through which Government are able to review and adapt the HAFF according to the needs of social and affordable housing.

In addition, the National Housing Supply and Affordability Council (the Council) is able to provide advice on the HAFF to the Minister under National Housing Supply and Affordability Council Act. Furthermore, under the Housing Australia Investment Mandate, Housing Australia must consider any advice by the Council when the Council makes financing decisions under the HAFF and the Accord. This provides an additional external source of advice to ensure the ongoing choices made under the HAFF and the Accord are effective in meeting the program's objectives.

Within the HAFF Act reviews are mandated every 5 years with the first to be completed by the end of 2026. These reviews consider whether the HAFF program has improved housing outcome for Australians and the extent to which it has met the acute, social and affordable housing needs. These reviews are broad and are able to consider the program as a whole.

7.1 Reporting Requirements

The reporting requirements for the HAFF and Accord are specified in the Housing Australia Investment Mandate as follows:

- 1) As soon as practicable, but in any case, within 3 months, after the end of a reporting period, Housing Australia must report to the Minister for Housing on the activities of Housing Australia.
- 2) The report for a reporting period must set out:
 - a) in relation to all projects that Housing Australia decided to finance under the HAFFF or NHAF up to the end of the period—the following information:
 - i) the total number of projects;
 - ii) the total number of projects that provided social housing, affordable housing or addressed an acute housing need;
 - iii) the number of projects in each State and Territory;
 - iv) the number of projects that are complete, under development, in planning, or will not be completed;
 - v) the number of projects funded in regional, rural and remote areas across each State and Territory; and
 - vi) the total amount of finance under the HAFFF or NAHF provided in respect of those projects.
 - b) in relation to each project that Housing Australia decided, during the period, to finance under the HAFFF or NAHF — the following information:
 - i) the project proponent of the project;
 - ii) the Statistical Area Level 4 area in which the project is located;
 - iii) the types of persons that would be assisted by the project;
 - iv) the number and types of dwellings made available under the project;
 - v) whether the financing is to be through a loan or grant, or through a combination of these;
 - vi) details of each loan or grant for the project;
 - vii) the level of financing for the project under the HAFFF or NAHF and from sources other than the HAFFF or NHAF;
 - viii) the expected completion date of the project.
- 3) For a project that involves constructing new dwellings, if, within a reporting period, Housing Australia receives information that a project financed under the HAFFF or NHAF is or is not HAFFF or NAHF construction compliant, or will or will not be HAFFF or NAHF construction compliant at the time dwellings are made available under the project Housing Australia must set out that information in the report for that period.