

# Federal Treasury Proposal for Affordable Housing Reinforces Urban Taskforce Market Approach

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The Federal Treasury report on approaches to improve the supply of affordable housing proposes a Bond Aggregator approach to encourage the market to be involved in the provision of affordable housing says the Urban Taskforce.

“The Federal Government paper titled [‘Innovative Financing Models to Improve the Supply of Affordable Housing’](#) is a very relevant and useful contribution to the current discussion on affordable housing.” Says Urban Taskforce CEO Chris Johnson “Our reading of the report is that it favours an incentive-based (or ‘carrot’) approach to encourage the investment in production of affordable housing, over a ‘stick’ approach where developers are required to contribute affordable housing free of charge, or pay a substantial levy. The ‘stick’ approach does not attract investment in affordable housing and only deters development.”

“The report (p47) makes it clear that inclusionary zoning, where a developer must provide a percentage of affordable housing, adds a cost to government or private developers ‘which are ultimately passed on to home purchasers.’ The last thing needed in this current housing market are additional costs which only drive up the price of housing and prevent first home buyers and others from entering the market“

“The report focuses on Sub-market private rental where housing is provided by the private market for low- and moderate-income households at rents discounted from the market rate. This is the same approach that the Urban Taskforce has proposed where an extra 20% of the floor space in a development could be provided as affordable homes provided there is a 20% increase in allowable floor space. The affordable units would be rented through eligibility criteria to tenants at 20% below market rental for a 10 year period.”

“We believe our approach could provide 40,000 extra affordable homes over a 10 year period.”

“The Federal report prefers a Bond Aggregator approach where funding at very low levels will make investment in this asset class desirable over a 20 year period. It is absolutely essential that affordable housing is seen as a desirable investment, in order to attract long-term, sustainable financing. The Bond aggregator approach does this.”

“The Urban Taskforce approach is based on the NSW State Environmental Planning Policy (Affordable Rental Housing) which specifies a 10 year period for retaining the units as being affordable. If the bond aggregator is over a 20 year period then the SEPP may need to be modified.”

“The Urban Taskforce welcomes the federal government approach to establish a financial model that can work with the private development sector to encourage a market approach to improving the supply of affordable housing and we are keen to work with the federal government in developing ways forward.”

“The recent announcement by the Inner West Council to impose a 15% levy on new housing to provide affordable housing will only add costs that will be passed on to home purchasers as the federal report indicates. The other outcome of a 15% levy would be to make new development financially unviable so no new projects happen which may be in the interest of well-off inner city residents.”

“It appears that the NSW and Federal governments have different approaches to the funding and provision of affordable housing. Any policy approach to affordable housing at the state level should be placed on hold until the federal government approach is finalised, to ensure these two levels of government are on the same page when it comes to how affordable housing is funded and provided.”

*The **Urban Taskforce** is a property development industry group, representing Australia's most prominent property developers and equity financiers.*

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