Australian Government

Council on Federal Financial Relations

Supporting the implementation of an affordable housing bond aggregator

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Affordable Housing Working Group

Report to Heads of Treasuries

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EXECUTIVE SUMMARY

A bond aggregator is a financial intermediary that matches the financing requirements of affordable housing providers (in this case, the community housing sector) with the investment preferences of institutional investors. It collects and aggregates the debt of community housing providers (CHPs) and periodically issues bonds through wholesale debt markets to large scale investors.

The bond aggregator helps address one of the major challenges in the Australian housing system – access to capital markets for the purposes of affordable housing. It helps to address one of the challenges facing CHPs – the inability of the sector to access cheaper, longer tenor financing. If implemented effectively, a bond aggregator will lower the operational and capital costs for many providers, with these efficiencies available for reinvestment into further social and affordable housing. Importantly a bond aggregator will help support the creation and retention of housing specifically for households on low incomes.

Complementary reforms will be required to support the bond aggregator. Some of these reforms are necessary to ensure that it is able to perform its functions effectively. Others work with or alongside the bond aggregator in the pursuit of more fundamental concerns — the need for greater scale and capability in the community housing sector and the broader need for better housing outcomes.

Since the bond aggregator is simply a vehicle for achieving cheaper and longer tenor financing, the bond aggregator *by itself* will not lead to substantial growth in affordable housing. Reforms that address the funding gap (or the disparity between the cost of providing affordable housing, compared to the returns which can be generated) will help providers to increase the scale of their activities and create a pipeline of supply for the bond aggregator, and expansion of the community housing sector as a pathway beyond public housing. The most promising of these reforms include the regeneration of public housing stock, better use of planning tools, affordable housing levies as well as government capital and operational assistance for the sector, and build-to-rent and mixed rental or mixed tenure models.

To facilitate the successful introduction of the bond aggregator, there is a need to strengthen and achieve national consistency of the regulatory framework for community housing. To the extent that a revised regulatory framework for community housing features appropriate regulation of CHP governance and financial activities (without weakening its oversight of tenancy management activities), it will provide a stronger signal to institutional investors of the viability of the sector and promote the expansion of CHP activities in Australia.

There are also a number of reforms aimed at improving housing affordability. While these reforms do not target policy settings exclusive to the community housing sector, they reduce pressure across the housing spectrum by contributing to increased housing supply and downward pressure on prices. Not only can this help reduce pressure on public and community housing, but it can make it easier for CHPs to expand their operations. These reforms include modifying planning systems to deliver simple and consistent planning processes and improved zoning outcomes, a better use of surplus land and a switch from stamp duty to a broad-based land tax.

RECOMMENDATIONS

RECOMMENDATION 1

The Affordable Housing Working Group recommends that the Commonwealth and State and Territory governments progress initiatives aimed at closing the funding gap, including through examining the levels of direct subsidy needed for affordable low-income rental housing, along with the use of affordable housing targets, planning mechanisms, tax settings, value-adding contributions from affordable housing providers and innovative developments to create and retain stock.

Creating and maintaining a rental housing portfolio targeted to people on low incomes requires explicit ongoing subsidies to bridge the gap between operating costs (including debt servicing) and rental incomes. This is a feature of overseas models, supported by research to date in Australia and evidence from actual projects. The size of this gap increases depending on where user groups sit along the housing continuum, requiring more support (in various forms) from governments, the lower the income profile and complexity of need.

The specific reforms that jurisdictions may choose to pursue to close the funding gap will vary, according to their priorities, preferred approaches and particular challenges.

RECOMMENDATION 2

The Affordable Housing Working Group recommends that the Commonwealth and State and Territory governments and the community housing sector work together to develop and implement a uniform and nationally applied regulatory framework that supports the implementation of a bond aggregator as well as the growth of the sector nationally.

A common regulatory framework that is consistently applied across all jurisdictions and provides certainty for CHPs operating across States and Territories will assist the growth of the CHP sector and provide confidence to potential investors.

To achieve this, the Working Group recommends that the Council on Federal Financial Relations develop proposals in consultation with relevant Housing Ministers for:

a. strengthened governance and financial reporting and risk management policies for CHPs which are seeking access to the bond aggregator;

b. the entry of Western Australia and Victoria into a suitably strengthened National Regulatory System for Community Housing to the extent required to enable the bond aggregator to lend into those jurisdictions in a way that maximises investor confidence; and

c. consistent application of the regulatory framework and consistent regulatory policy settings across jurisdictions, such as the way in which jurisdictions contract with CHPs.

Implementation of these proposals should occur by 1 July 2018 to support the commencement of the bond aggregator.

The Affordable Housing Working Group also notes the importance of the Review of the National Regulatory System for Community Housing scheduled for 2018 for examining and improving the broader framework of community housing regulation (including tenancy management) to ensure that the regulatory system supports future growth in the sector. The review should also consider any changes to the policy settings that will improve the capability of the sector and whether moving to a single national regulator is appropriate.

RECOMMENDATION 3

The Affordable Housing Working Group recommends that the *National Industry Development Framework for Community Housing* be revised and updated to reflect findings and recommendations from the Review of the National Regulatory System for Community Housing.

In order to leverage the finance provided through the bond aggregator, it is important to ensure that the community housing sector has the necessary financial, asset and risk management expertise.

1. INTRODUCTION

BACKGROUND

On 16 October 2015, the Council on Federal Financial Relations (CFFR) requested further work be undertaken on housing affordability with a focus on solutions to improve the supply and provision of social housing (Morrison, 2016).

In response, the Commonwealth established an Affordable Housing Working Group ('the Working Group') to investigate innovative ways to improve the availability of affordable housing. The Working Group comprised members of the Commonwealth Treasury and Department of Social Services as well as members from the New South Wales, Victorian and Western Australian governments.

The Working Group delivered its report to Heads of Treasuries on 3 November 2016 and this was considered by Treasurers at the CFFR meeting on 2 December 2016. The report made four recommendations (see Box 1.1), which were all agreed by CFFR.

BOX 1.1: RECOMMENDATIONS FROM THE WORKING GROUP REPORT 2016

Recommendation 1: The Working Group recommends the establishment of an expert taskforce to design a proof of concept for a bond aggregator model to provide for greater private and institutional investment in affordable housing. The taskforce should determine the design features and an implementation plan of the proof of concept and report their findings to Heads of Treasuries by mid-2017.

Recommendation 2: The Working Group recommends that Heads of Treasuries note that government support is required to efficiently leverage long-term institutional investment for affordable housing and provide greater value for government expenditure.

Recommendation 3: The Working Group recommends that jurisdictions investigate whether and how existing and future housing policies and practices can be utilised, expanded or redesigned to support the effective implementation of a housing bond aggregator.

Recommendation 4: The Working Group recommends that governments consider complementary reforms to enhance the ability for a housing bond aggregator model to boost the supply of affordable housing.

Affordable Housing Implementation Taskforce

The Commonwealth Treasury has progressed Recommendation 1 of the report through the establishment of the Affordable Housing Implementation Taskforce (Taskforce) to design a proof of concept for a bond aggregator model.

The Taskforce investigated ways to harness private sector investment through the design of a bond aggregator that would aggregate the borrowing requirements of CHPs and issue bonds to the wholesale market at a lower cost and longer tenor than traditional bank finance.

In determining the ongoing viability of the bond aggregator, the Taskforce has examined:

- the ability of the affordable housing sector to sustain an affordable housing bond aggregator;
- options for the structure of the bond aggregator;
- the nature and profile of the bonds to be issued;
- the financial viability of affordable housing providers to sustain a bond issuance program; and
- the nature and form of any government support, including a guarantee.

This report therefore does not directly address these issues.

Affordable Housing Working Group

The Affordable Housing Working Group has progressed Recommendations 3 and 4, examining how existing housing policy and regulatory settings could be reformed to assist with achieving the policy outcomes desired through the implementation of a bond aggregator. The Working Group has also examined reforms that could be made to maximise the impact of a bond aggregator on the supply and retention of affordable housing. This included the recognition that sub-market rental housing requires government support to obtain scale and that current policy settings may need to be re-evaluated given the advent of the bond aggregator.

The complementary reforms examined in this report are categorised in three ways.

- Chapter 3 discusses reforms that will help the community housing sector achieve scale through leveraging funds channelled through a bond aggregator for social and affordable housing.
- Chapter 4 discusses reform to the regulatory framework for community housing, which will contribute to creating the right operating environment to maximise the success and the effectiveness of the bond aggregator as a financial intermediary.
- Chapter 5 discusses reforms that will assist in boosting the supply of affordable housing and may therefore contribute to housing affordability.

As tasked by CFFR at their 24 March 2017 meeting, this report also investigates the state of the community housing sector, including community housing providers' ability to support joint ventures with the private sector.

2. THE COMMUNITY HOUSING SECTOR

The provision of housing to eligible renters at below-market pricing by community housing providers (CHPs) forms a substantial part of the affordable housing system (see Box 2.1). Recent reports published by the Australian Housing and Urban Research Institute (AHURI) investigating the potential of the CHP sector to achieve greater scale and capacity (and, in the process, generate new affordable housing supply, facilitate stock renewal and improve service quality) outlined both the characteristics of the community housing sector as well as some of the constraints on its growth (Milligan, et al 2017; Milligan, et al 2016).

AHURI found that there are currently 323 mainstream registered CHPs that manage the majority of long-term community housing in Australia. Additionally, there are around 200 Indigenous housing organisations and 55 private for-profit organisations (that have mainly developed homes under the National Rental Affordability Scheme (NRAS)).

Australia-wide, over three quarters of all CHP-managed homes are managed through 40 large providers. While the stock of dwellings managed by CHPs includes assets they own themselves and assets they manage on behalf of private investors, the majority of CHP managed homes are still owned by State and Territory governments.

The sector has grown over time. Between 2010 and 2015, the value of the dwellings owned by these large CHPs increased by 74 per cent to $7.5 billion and the number of homes managed by CHPs has grown by 81 per cent since 2010. A large share of this increase can be attributed to new development under Commonwealth programs such as the Social Housing Initiative and NRAS as well as transfers of public housing stock to CHPs by State and Territory governments.

Despite this, the sector remains relatively small. There are only around 80,000 dwellings in total under the management of the community housing sector, compared to approximately 310,000 dwellings available for public housing (Productivity Commission, 2017). Community housing makes up just under 0.9 per cent of all dwellings in Australia, while the social and affordable housing sector (including for Indigenous specific housing) comprises around 4.3 per cent (ABS, 2016).

BOX 2.1: THE AFFORDABLE HOUSING SYSTEM

There are a number of definitions of affordable housing. For the purposes of this report, affordable housing is defined as: '*housing that reduces or eliminates housing stress for low-income and disadvantaged families and individuals in order to assist them with meeting other essential basic needs on a sustainable basis, while balancing the need for housing to be of a minimum appropriate standard and accessible to employment and services.*' This definition captures the fact that housing stress is not necessarily defined as a set proportion of a household's income and can at times be temporary.

The affordable housing system more broadly has several components. These include:

Sub-market private rental (or 'affordable' rental): housing that is provided by the private market for low- to moderate-income households at rents which are discounted from the market rate — usually 75 to 80 per cent of market rents. Allocation is usually governed by eligibility criteria, often at the discretion of the provider. There is no accurate measure of the number of dwellings in this sector.

BOX 2.1: THE AFFORDABLE HOUSING SYSTEM (CONTINUED)

Public housing: rental housing that is owned and managed by State and Territory government agencies and allocated to very low- and low-income households in accordance with eligibility and prioritisation policies. Allocation is the responsibility of State and Territory government agencies and generally gives priority to those in greatest need, usually tenants on income support, but the implementation of this varies across jurisdictions. Rents are generally set as a proportion of income — 25 to 30 per cent. There were approximately 312,219 households in public housing at 30 June 2016.

Community housing: rental housing that is owned and/or managed by not-for-profit organisations and generally allocated to lower income households on either income-linked or 'affordable' rents in accordance with the eligibility and prioritisation policies of each State/Territoy or CHP. Allocation is the responsibility of individual providers in accordance with their not-for-profit status and any other conditions, such as those imposed by governments, in providing assistance. There were approximately 72,410 households in community housing at 30 June 2016.

Income-linked rental properties, whether offered by public or community housing providers, are also referred to as **social housing.** In addition to these types of rental tenures the affordable housing system incorporates a number of shared-equity programmes run by individual State and Territory governments to help support home ownership for eligible low-income Australians.

CHPs AND THE PRIVATE SECTOR

It is important to recognise the role of the private sector to the community housing sector. Longer term growth will require the construction of new stock as well as improved utilisation of the existing stock of community housing.[1] Since both of these tasks are undertaken (on a limited scale) by only a few CHPs, the ongoing involvement of the private sector — through investors and developers — is integral to future growth.

While there are a number of examples of CHPs partnering with the private sector (including the Housing Construction Jobs Program in Queensland and the One on Aberdeen and Abode developments in Western Australia), to date this has not resulted in substantial and sustained increases in the stock of social and affordable housing.

There are a number of factors contributing to the subdued growth of the sector, however there is little or no evidence linking this to impediments to CHPs entering into agreements or partnerships with the private sector. Rather, the major challenges are more fundamental (and outlined in the following section).

1 CHPs use a variety of models to increase the number of properties they manage. This includes entering into contracts to manage and rent out dwellings on behalf of others, such as investors or State and Territory governments. They also purchase properties from the private market, while the largest CHPs have the ability to develop their own projects, often in partnership with the private sector.

Challenges facing the Community Housing Sector

The community housing sector faces substantial challenges. While Australia's population has continued to grow, the stock of social housing has remained virtually static. While this is not considered a target rate, even ensuring that social housing remains as a constant proportion – 4.3 per cent of total dwellings – is a substantial challenge.

BOX 2.2: THE SCALE OF THE CHALLENGE

Projections from the 2015 Intergenerational Report suggest that Australia's population will reach 39.7 million in 2055. If combined with the current average of 2.6 people per household — a figure which has remained relatively stable over the last few Censuses — there will be approximately 15.3 million households. This equates to an increase of over 5 million dwellings required across Australia from the night of Census 2016.

Social housing comprises only a small proportion of total dwellings, which currently number approximately 9.9 million[2]. At 30 June 2016, there were 400,266 dwellings used for public and community housing. When dwellings reserved for Indigenous Australians are included, this number increases to 427,682 dwellings[3]. These represent 4.0 and 4.3 per cent of the total housing stock respectively.

As an illustrative example, for social housing to remain at 4.3 per cent of the total housing stock, over 230,000 new dwellings will need to be built over the period to 2055. This is an increase of 54 per cent in the total stock of social housing dwellings over current levels and would require the production of over 6,000 new dwellings per year.

Taking into account the fact that housing depreciates over time, a large proportion of the existing stock will also need to be replaced. These numbers do not account for the fact that there are high levels of unmet demand evidenced by long waiting lists for social housing.

Currently, there are large numbers of households with unmet social and affordable housing needs. Estimates suggest that the national shortage of private rental dwellings available to, and affordable for, households with very low incomes (lowest 20 per cent) increased from 150,000 to 271,000 homes between 1996 and 2011.[4] As a result, access has been increasingly restricted to 'highest need' applicants.[5] Growing numbers of low-income private tenants face rents equating to more than 30 per cent of gross household income.

2 Source: Australian Bureau of Statistics, Census of Population and Housing, 2016.
3 Source: Productivity Commission, Report on Government Services, 2017.
4 Source: Australian Housing and Urban Research Institute, Supply shortages and affordability outcomes in the private rental sector: short and longer term trends, June 2015, page 15.
5 This is also referred to as 'residualisation' of the housing stock. For a description, see CFFR (2016), page 16.

However there are barriers to the sector achieving the scale and capability necessary to meet current and projected demand for community housing. In a recent study, AHURI[6] identified a number of these barriers, including:

- the restricted resource capacity of CHPs due to public subsidy and private financing constraints;
- the limitations of supporting institutions and frameworks, such as the need to improve the national regulatory framework and the lack of publically available data and information on the industry's profile and performance; and
- the need to enhance industry-specific competencies such as specialist property development, development finance and complex tenancy management abilities.

The *National Industry Development Framework for Community Housing*[7] provides high-level guidance for governments, CHPs and mediating peak organisations, providing recommendations within five key areas of development that will build the scale and capability of the community housing sector:

1. Governance, risk management, and strategic planning;
2. Construction and development;
3. Finance;
4. Regulation – meeting requirements of the National Regulatory Code; and
5. Workforce development.

Recommendation 3

The Affordable Housing Working Group recommends that the *National Industry Development Framework for Community Housing* be revised and updated to reflect findings and recommendations from the Review of the National Regulatory System for Community Housing.

In order to leverage the finance provided through the bond aggregator, it is important to ensure that the community housing sector has the necessary financial, asset and risk management expertise.

6 Source: Australian Housing and Urban Research Institute, Ready for growth? Inquiry into Australia's affordable housing industry capacity, April 2017.

7 Source: National Regulatory System for Community Housing Project Directorate, National Industry Development Framework for community housing, January 2014.

THE AFFORDABLE HOUSING BOND AGGREGATOR

In the 2017-18 Budget, the Commonwealth Government announced the establishment of the National Housing Finance and Investment Corporation (NHFIC) to operate an affordable housing bond aggregator.

The bond aggregator has the potential to provide cheaper and longer term finance to support the development and retention of affordable housing. It will do this by aggregating the borrowing requirements of community housing providers[8] and issuing bonds to the wholesale market at a lower cost and longer tenor than traditional bank finance.[9] This will lower the operational and capital costs for many providers, with these efficiencies available for reinvestment into further social and affordable housing. An implementation plan for the bond aggregator forms the basis of the Affordable Housing Implementation Taskforce report.

However the bond aggregator by itself cannot propel the CHP sector to significantly greater scale and capability. While it will help address the challenge of accessing cost-effective private finance at scale in the community housing sector, it will not address the other barriers identified by AHURI.

THE FUNDING GAP

One of the more substantial barriers to growth in affordable housing is the funding gap (as distinct from the financing gap[10]). The funding gap is the difference between the costs of delivering new supply of affordable housing (such as the costs associated with with acquiring new stock, managing tenancies, dwelling maintenance and depreciation) and the income received (from concessional rents and Commonwealth Rent Assistance).

By design, affordable housing providers charge rents that are below market rates in order to assist tenants with their costs of living. This reduces the returns that CHPs are able to receive. Since CHPs also typically aim to provide tenants with security of tenure, and are therefore unlikely to readily sell a dwelling, providers are also less able to realise the capital gains associated with growth in dwelling prices. These facts combined mean that potential investors are able to obtain better returns (for the same level of risk) elsewhere. Without measures to reduce (or even eliminate) this funding gap, the provision of affordable housing by the non-government sector will most likely remain restrained, even with the advent of the bond aggregator, and thus there is a need for the complementary reforms outlined in this paper.

8 While the stated aim of the bond aggregator is to provide greater private and institutional investment in affordable housing more broadly, community housing providers are likely to be the primary vehicle to channel the investment it attracts into social and affordable housing.

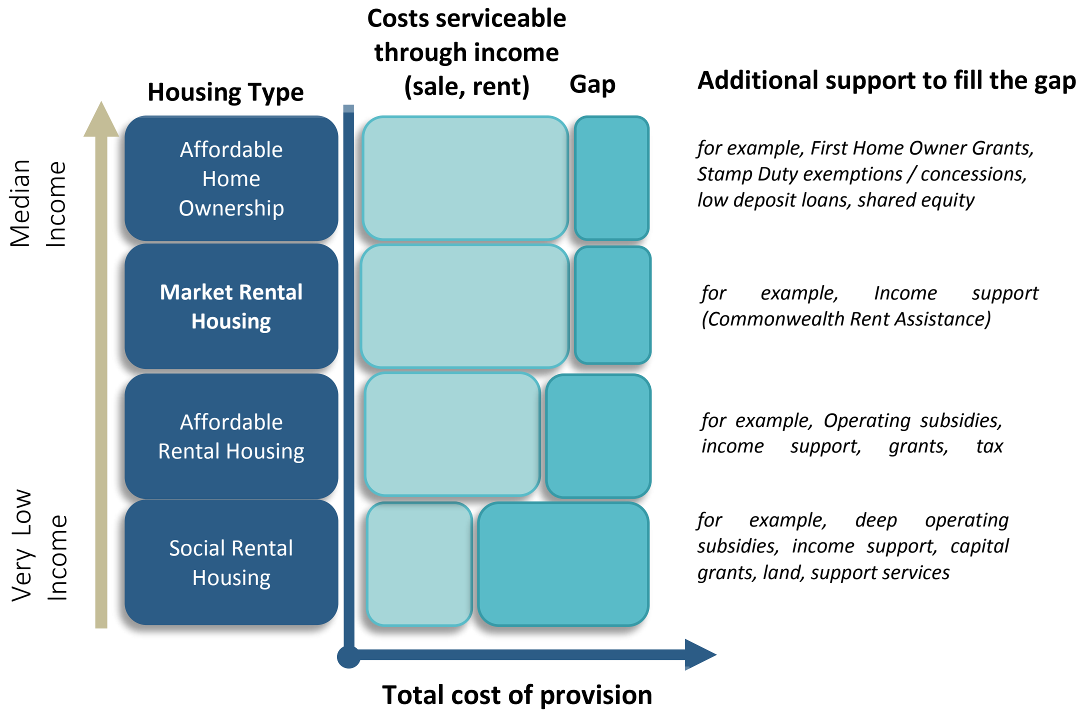
9 The availability of tenor for non-financial corporate bond issuances is improving, but is still, on average,not as long as in countries like the USA or UK. The introduction of a bond aggregator represents a substantial improvement in this regard.

10 The 'Financing Gap' was described in the Affordable Housing Working Group's paper on Innovative Financing Models to Improve the Supply of Affordable Housing (CFFR, 2016, page 14) as the difference between the low rates of return available on affordable housing investments compared to market returns available on alternative investments with similar risk profiles.

Addressing the funding gap

Creating and maintaining a rental housing portfolio targeted to people on very low to low incomes requires explicit ongoing subsidies to bridge the gap between operating costs (including debt servicing) and rental incomes. This is a feature of overseas models[11] and is confirmed by research and evidence from actual projects in Australia. The size of this gap increases along the housing continuum, where a lower income profile and increase complexity of need requires more support from governents – see Figure 1 below.

FIGURE 1: ILLUSTRATIVE COSTS AND FUNDING GAPS FOR DIFFERENT HOUSING TYPES



There are a number of roles governments and providers can play to reduce the size of the funding gap, and this is further discussed in *Chapter 3*. These mainly relate to the asset creation (supply stage). However, there is limited national data or evidence about the costs of retaining assets over the long term for the purposes of housing people on low incomes.

Existing affordable housing projects can provide a portfolio 'base case' and indicative track record: Western Australia has implemented *project financing trials* (with the Housing Authority providing land, the partner (private sector) providing equity and debt and the Housing Authority reinvesting its equity return into retained units) and *self-financing trials* (based on a mix of sales, graduated affordable rentals and social housing covering operating costs and paying back capital over time). These mixed tenure projects, yielding over 500 apartments in Perth, provide some understanding of the commercial and policy outcomes that are possible when government plays certain roles within structured transactions.

11 Characteristics of overseas models include: a) efficiently priced long-term debt b) affordable housing providers who can use their tax status and ability to leverage other resources and efficiencies to support affordability outcomes and c) government augmentation such as capital contributions and operating subsidies (land, tax credits and cash).

Indicative funding gap for affordable rental and social rental housing (WA example)

1. Development Phase (asset creation/supply stage)

Assumes: cost of producing each new apartment is $275,000

Model A: CHP developer (100% of new supply retained for affordable housing - build & rent model)	$275,000
- Government land contribution per apartment	$35,000
- Government or CHP equity contribution per apartment	$15,000
- Debt for construction per apartment	$225,000

Model B: Private developer (15% of new supply dedicated to affordable housing) Planning incentives and mandated affordable housing targets on government land developed by the private sector which require **15 per cent** of new supply to be sold to Affordable Housing Providers *at construction cost* (not market value)	$250,000 - $275,000

2. Operating Phase (asset hold stage)

Assumes: $225,000 'take out' finance at 60 per cent loan to value ratio (LVR) (market value $375,000) to hold and manage asset

	Affordable Rental Model Assumes 75% of market rent – needing household income of $47,500 at 30% of income[12]	Social Housing Rental Model Assumes $30,000 household income per year[13] paying 25% of income in rent
COSTS		
Debt payments (P&I, 30 years, 4.5%) on $225,000	$13,700	$13,700
Body Corporate	$2,500	$2,500
Property & Tenancy Management	$1,900	$1,900
Maintenance	$750	$750
Total Costs	*$18,850*	*$18,850*
REVENUE		
Rent	$14,250	$7,500
CRA	$1,500	$2,500
Total Revenue	*$15,750*	*$10,000*
SHORTFALL	$3,100	$8,850

12 $47,500 is just above 50% of median income in WA and 35% above the minimum wage of $35,000.
13 $35,000 is $5,000 below the minimum wage in WA, well above the single pension, and just above a couple's aged pension.

In relation to the funding gap in the operating phase, these projects, along with basic indicative modelling shows that even under an **affordable rental** model, focussed on tenants earning an average of $47,500 per year (at a level above minimum wages and pensions), an operating subsidy of **$3,100 per dwelling per year** is required.

When considering the funding gap for the general **social housing** cohort (people in the bottom income quintile, earning around $30,000 per year and paying 25 per cent of income in rent) the required operational subsidy deepens to be **$8,850 per dwelling per year.**

This translates to a funding gap of $3.1 million per thousand dwellings and $8.9 million per thousand dwellings respectively each year.

This takes into account the existing ability of affordable housing providers to collect Commonwealth Rent Assistance (CRA), the benefits of scale available to larger entities, and a very low cost of production ($275,000 per apartment) to keep the purchase/take out costs low. Funding for purchase/take out of the newly built apartments also assumes access to long term finance at interest rates of circa 4.5 per cent at 60 per cent LVR and an asset base which is able to sustain such borrowing on appropriate risk terms. Further detail on the capital and operating costs and revenues are provided below.

While these are simple models based only on development in Perth, they illustrate both:

- the role governments may need to play to help facilitate the efficient creation of new assets (development/supply phase); and
- the funding that may be needed to ensure assets are preserved in the long term for people on low incomes (operating phase).

Both approaches (and others) are used in WA. In regard to Model B, the Metropolitan Redevelopment Authority in WA requires 12 per cent affordable housing to be provided in developments within its planning precinct control areas (both on lots owned by government and on Development Applications granted on privately owned land). This provides the Housing Authority (or registered CHPs) with the option of purchasing stock at cost – well below market value – on the condition it is used in perpetuity for affordable housing.

Chapter 3 outlines some of the complementary reforms and measures which can be undertaken by governments in order to address the funding gap.

3. COMPLEMENTARY REFORMS TO DEVELOP THE CAPACITY AND SCALE OF THE COMMUNITY HOUSING SECTOR

While the bond aggregator will assist with providing cheaper and longer-term financing to community housing providers, complementary reforms are required to ensure growth in the stock of affordable housing.

In order to grow the stock of affordable housing, all levels of government need to consider and implement further reforms, particularly those that address the funding gap. The most promising of these reforms can be broadly split into a better use of current social and affordable housing assets (including better use of land and dwelling assets currently owned by governments, such as through inclusionary zoning, stock transfers to CHPs, supporting build-to-rent models and the use of affordable housing targets or levies) and government subsidies (such as incentives for affordable housing and potential reform to CRA).

These reforms are each important in their own right because they have the capacity to drive growth in the sector. They would also create a pipeline of deals for the bond aggregator which would in turn accentuate the benefits of the reforms, and drive further improvements and efficiencies in the sector.

There are also costs associated with these reforms. To address the funding gap (and make the provision of housing at sub-market rents more attractive to private investors), the sector will require greater contributions from all levels of government (and, by implication, taxpayers) or the private sector. Since each of these reforms allocates the cost burden differently, pursuing a combination of these reforms not only increases the likelihood of growth in the sector, but ensures that the costs of achieving meaningful change are spread widely.

The reforms in this chapter comprise a non-exhaustive survey of the ways that a jurisdiction might choose to address the funding gap. Since they have different priorities, preferred approaches and policy challenges, there is likely to be some variation in the actual reforms that jurisdictions may choose to pursue.

BETTER USE OF SOCIAL AND AFFORDABLE HOUSING ASSETS

Regeneration of public housing stock

States and Territories continue to redevelop their existing public housing portfolios to update stock, reduce maintenance costs and ensure they are appropriate for a changing tenant mix. Moreover, redevelopments are increasingly making use of mixed tenure developments.

Mixed tenure developments provide an opportunity to integrate social and affordable housing into market-facing developments, while also delivering returns that can be reinvested into the acquisition and operation of social and affordable housing stock. This approach has a number of benefits including reducing the concentration of disadvantaged communities and enabling the cross subsidisation of social and affordable housing through income from the sale or rent of market-priced housing.

This approach is currently being implemented in NSW under the Communities Plus re-development program where select social housing estates are being redeveloped to increase and renew social housing stock by capturing value uplift available in targeted areas. Under this program, the NSW Government is partnering with the private and not for profit sectors to fast track the redevelopment of sites in metropolitan Sydney and regional NSW. On these sites, new mixed communities will be developed where social housing blends in with private and affordable housing, with better access to transport and employment, improved community facilities and open spaces.

Western Australia has implemented project financing trials (based on the Department of Communities providing land, the private sector providing equity and debt and the Department reinvesting its equity return into retained units) and self-financing trials (based on mix of sales, graduated affordable rentals and social housing covering operating costs and paying back capital over time). Examples include the One on Aberdeen and Abode projects, each of which saw the Department of Communities contribute land as equity into a project with a private partner, who provided equity, debt and project delivery. In return for the investment of its land, the Department of Communities received dwellings for social housing and shared equity programs, as well as a financial return. Additional affordable housing (NRAS, key worker sales, Keystart loans, low cost studio products) were incorporated into each project, resulting in 28 per cent and 50 per cent affordable housing at Abode and One on Aberdeen respectively.

Projects such as One on Aberdeen and Abode can deliver housing and financial outcomes for Government, but do require land (or other assets) to be invested in the first instance. They also carry the usual risks associated with property development, requiring a high level of commercial acumen on Government's behalf to negotiate effective terms with private sector partners, and ensure that projects are delivered and managed in a commercially-responsible and responsive manner.

The mix of dwelling types allows for access to private finance but also allows for governments to provide more choice with respect to the accommodation available to tenants with low to moderate incomes. Planning and zoning conditions as well as the uplift in land value generated from the redevelopment can play a significant role in supporting the development of new affordable housing stock.

The 2016 Working Group report noted that the asset base of public housing across Australia is estimated to be around $100 billion. While not all of this stock will be suitable for redevelopment, the regeneration of a significant portion of this stock utilising private finance sourced through a national bond aggregator would ensure the scale sought by institutional investors.

CHPs may seek finance as part of joint ventures and for the purchase of stock following redevelopment to be let as community housing. Where management of the new stock was transferred to CHPs, finance could also be sought to build additional stock.

While jurisdictions are currently engaging in a number of regeneration projects, the majority of public housing stock has not been redeveloped. Further redevelopment of stock could leverage opportunities under an affordable housing bond aggregator.

Redevelopment of public housing stock may benefit from significant private capital. Partnerships with community or sub-market providers will allow these CHPs to access capital through the bond aggregator, reducing the need to borrow against government balance sheets. In addition to redevelopment, new developments may present opportunities for providers to purchase and/or manage stock on behalf of governments. The implementation of a bond aggregator should improve access to cheaper, longer term finance for providers, increasing their ability to participate in such partnerships.

Better use of planning tools

Planning systems can be used to encourage the development of affordable housing stock, either on private or publicly owned land. While they "do not replace the need for dedicated funding for affordable housing supply, planning levers can maximise the outcomes of this expenditure and complement other financial incentives or subsidies to support affordable housing development" (Gurran, et al. 2007, p. 5). They can be particularly effective when government investment or rezoning leads to a significant uplift in land value, some of which can be 'captured' to fund social infrastructure, including affordable housing.

The introduction of planning tools for affordable housing relies on the powers enabled under relevant legislation and planning frameworks in each State or Territory. The wider regulatory context for planning and development should be considered and attempts made to, as much as possible, to minimise the time, cost or complexity it introduces to the development process.

Options include instruments that require a certain percentage of housing development to be allocated to the development of affordable housing stock (sometimes called inclusionary zoning), and incentives that offer increased development yield or other benefits to developers in return for the delivery or retention of affordable housing. Affordable housing incentives and requirements can be applied on private land through the planning system or on government land through planning or contractual mechanisms.

Different approaches have been adopted in different States and Territories. For example, the South Australian Housing Strategy commits to ensuring that at least 15 per cent of all new housing (government and private land developments) in significant developments is affordable to low and moderate income households.

In Western Australia, the Metropolitan Redevelopment Authority uses its planning powers to require 12 per cent dedicated affordable housing in some of its redevelopment areas, which assists in creating and retaining affordable housing within those locations. Developers must sell affordable dwellings at a discounted "cost" price to affordable housing providers (primarily the Department of Communities). The majority of dwellings are then on-sold to purchasers under shared equity arrangements, which enables the housing provider to recoup the price they paid for the dwelling (that is, no net cost), and retain an equity share in perpetuity (preserving affordability). Others have been retained for social housing.

The effective use of planning tools can result in the inclusion of affordable housing in developments where it would otherwise have been excluded. Tools such as inclusionary zoning are most effective when used as a form of 'value capture' in cases where it seeks to reclaim some of the gain accruing to developers from changes in zoning, or when Government is the landowner and can absorb any cost in return for affordable housing outcomes. If used in the wrong circumstances, they can result in additional costs being imposed on developers which, depending on market conditions, can erode development feasibility and constrain wider supply.

Planning tools can increase the opportunities for sub-market rental and community housing providers to access stock in new, well located areas. The purchase of these properties for rent to eligible tenants provides an opportunity for these providers to access finance from a national bond aggregator.

If changes are made to expand the use of planning tools for affordable housing, the opportunities available to sub-market rental providers and community housing providers will also increase, in turn potentially increasing demand for lower cost, long term finance from a national bond aggregator.

Affordable housing levies

An alternative approach to inclusionary zoning is the application of affordable housing levies. Often applied at the local government level, developers are obliged to make a contribution as a part of receiving approval for a project, with the revenue generated then being used to provide housing assistance.

The benefit of applying a levy rather than mandating supply delivery is that it can be simple to apply and enables a flexible approach to delivering assistance — it could be used to deliver a range of housing assistance measures, such as temporary rental assistance or supporting new supply through land purchase, construction or spot-purchasing opportunities to better target client outcomes. Alternatively, the proceeds of a levy could be used to bolster the revenues of community housing providers or add to their capital base through the provision of subsidised dwellings. Each of these would increase the ability of providers to meet borrowing requirements which, in turn, enables them to further develop stock.

Affordable housing levies are also a more practical method for pursuing social and affordable housing outcomes in high value areas than inclusionary zoning (where it may be less feasible to have low income tenants in costly developments). In circumstances like these, local governments may be able to redirect the revenues raised by the levy to other developments or areas, or even to alternative forms of housing assistance.

Mixed Tenure and Mixed Rental Models

Analysis of the funding gaps shows that housing providers will either need very deep government operating subsidies to plug the gap in cash flows if portfolios are entirely affordable and social rentals, or need portfolios that offer a range of affordable and market housing types to generate the cashflows needed to service their loans.

A balance may be found in including a mix of low deposit and shared equity sales (in WA's case through Keystart and the Housing Authority to eligible low-moderate income households), as well as a mix of affordable and social rental options within broader developments or acquisitions that cater to a range of household and income profiles.

Sales enable providers to recoup some of their acquisition costs soon after project completion. This can be used to pay down a portion of their loan, leaving a lower balance to be serviced over time with rental income. Rental options can include surplus-generating affordable rental options (e.g for people on the upper end of low incomes) to help offset the cost of providing housing that requires deeper subsidies (for example, social housing).

This model achieves two important outcomes. Firstly, it provides a sound financial outcome for the housing provider, helping to service the potential loan from the bond aggregator. Secondly, it creates a mix of tenure options, both within individual projects and the broader portfolio. This mix helps to build more sustainable social outcomes by avoiding concentrations of low income tenants in one location. It also enables providers to offer a range of affordable housing options within their portfolios, enabling clients to transition between different options as their needs change and to manage their assets in a flexible, responsive and sustainable manner.

By way of illustration, WA's 'Living Space' apartment project in a transit oriented development 20 kms from the CBD contains 130 apartments and 6 commercial units. This construction was fully funded by government capital. A combination of early sales (29), key worker sales and leases (23) and mixed tenure rentals including commercial (6), affordable (52) and social (26) provides the cash flow required to meet operating costs and support the repayment of capital over time.

Build-to-Rent Models

Another emerging model in Australia (more common elsewhere in the world) is institutionally financed 'build-to-rent' models. Build-to-rent relies on a developer (or consortium) building homes with the express intention of leasing them out long-term. Build-to-rent models are used in many countries, including in the United Kingdom and United States, to provide affordable housing for low-income households. For example, the United States' Low-Income Housing Tax Credit program which encourages private investment in affordable housing by conveying 'tax credits' on investors taxable income. In return for these credits, the projects must set aside a proportion of homes for rent to people earning 50 to 60 per cent less than the area median income. This model relies on both State and Federal subsidies.

In the UK, large and sophisticated CHPs have structured build-to-rent deals directly with large property funds. For example, the Stratford Halo development comprises over 700 properties, housing a mixture of affordable rental and shared ownership as well as retail, commercial and leisure space. Community housing group and developer Genesis retained 299 units, selling the remaining 401 units to property fund M&G. Genesis then leased back the units for a term of 35 years managing the properties for a fee, paying M&G rent indexed annually by inflation, linking cash flows to their liabilities[14].

However, as demonstrated in *Chapter 2*, truly affordable rents for Australia's low-income households cannot cover the combined cost of building and operating housing portfolios, even with modest return expectations. As such, it is unlikely that these private sector 'built-to-rent' models will deliver options for people on very low and low incomes without government support in the form of equity, operating subsidy and/or tax concessions. This is an area worthy of exploration as to its cost-benefit relative to other models. The New South Wales' Treasurer recently announced the establishment of a working group to examine the viability of build-to-rent models in New South Wales.

GOVERNMENT SUPPORT FOR AFFORDABLE HOUSING

Incentives for Affordable Housing

In the 2017-18 Budget, the Commonwealth Government announced a number of tax concessions for investors in affordable housing. These include an increase to the capital gains tax (CGT) discount from 50 per cent to 60 per cent for individuals renting qualifying affordable housing as well as tax incentives to encourage Managed Investment Trusts (MITs) to acquire, construct or redevelop affordable housing to hold for long-term rent.

These changes to tax policy will increase the after tax return to investments in affordable housing and offer a targeted approach to reducing the financing gap in the community housing sector. If appropriately targeted, these changes can further sharpen investor incentives to purchase or develop affordable housing to rent at sub-market rates through a registered CHP.

Reform of Commonwealth Rent Assistance

Greater rental subsidies would go some of the way to closing the funding gap and stimulating investment in affordable housing. This would provide additional cash flow increasing the ability of housing providers to meet loan repayments and hence lenders' willingness to provide finance. Yet the more significant the increase, the more substantial the cost, particularly in a constrained fiscal environment.

14 http://www.mandg.co.uk/media-centre/~/media/EBB09E1499AB42EAA0E09E3AD6CC39B4.ashx.

The Productivity Commission's (PC) draft inquiry report into Human Services proposed increasing and expanding Commonwealth support for housing provided through CRA. It also proposes that States and Territories augment CRA with high-cost housing payments, where necessary, to address more specific needs.

Recommendation 1

The Affordable Housing Working Group recommends that the Commonwealth and State and Territory governments progress initiatives aimed at closing the funding gap, including through examining the levels of direct subsidy needed for affordable low-income rental housing, along with the use of affordable housing targets, planning mechanisms, tax settings, value-adding contributions from affordable housing providers and innovative developments to create and retain stock.

Creating and maintaining a rental housing portfolio targeted to people on low incomes requires explicit ongoing subsidies to bridge the gap between operating costs (including debt servicing) and rental incomes. This is a feature of overseas models, supported by research to date in Australia and evidence from actual projects. The size of this gap increases depending on where user groups sit along the housing continuum, requiring more support (in various forms) from governments, the lower the income profile and complexity of need.

The specific reforms that jurisdictions may choose to pursue to close the funding gap will vary, according to their priorities, preferred approaches and particular challenges.

4. STRENGTHENING THE REGULATORY FRAMEWORK FOR COMMUNITY HOUSING

One of the complementary reforms that is likely to have the greatest impact on the efficacy of the bond aggregator is the strengthening of regulation of the community housing sector. An effective regulatory regime will give potential investors confidence that the CHPs accessing finance through the bond aggregator are well governed, capable of meeting their debt obligations and that financial and operational risks are appropriately managed. By way of contrast, inadequate regulation could prompt doubts about the sector's viability and jeopardise investors' willingness to invest.

The effectiveness of the regulatory regime will be particularly important in the early days of the bond aggregator when potential investors may have little knowledge of the sector. The community housing sector, through the bond aggregator, will need to compete with other asset classes to attract funds from institutional investors. Institutional investors will have a greater familiarity with these other asset classes and have a better appreciation of their risks and returns compared with bonds issued by the aggregator.

In the 2017-18 Federal Budget, the Commonwealth Government announced that it would work with State and Territory governments to strengthen the national regulatory framework for CHPs in order to provide institutional investors with confidence to invest in the sector and reduce red tape for community housing providers that operate in multiple States and/or Territories.

This chapter provides an overview of the current regulatory framework for the community housing sector and suggests reforms that would facilitate the successful introduction of a bond aggregator in Australia.

CURRENT REGULATORY SETTINGS

The National Regulatory System for Community Housing (NRSCH) was established in 2014 to provide a consistent regulatory environment to support the growth and development of the community housing sector, pave the way for future housing development, reduce the regulatory burden on housing providers working across jurisdictions and provide a level playing field for providers seeking to enter new jurisdictions.

The NRSCH is underpinned by the National Regulatory Code which sets out the performance requirements that registered housing providers must comply with in providing community housing under the National Law. Under the NRSCH most of the States and Territories have adopted the National Regulatory Code, however Victoria and Western Australia have retained their own regulation.

Each jurisdiction also has their own regulators (or Registrars), although Tasmania has referred their regulatory powers to the NSW Registrar. These Registrars have the power to register providers, monitor providers' financial and tenancy management performance, intervene when non-compliance occurs, and to cancel the registration of non-compliant providers.

The coverage under the NRSCH is limited to registered providers, with registration being voluntary. While the majority of providers (in the participating States and Territories) are registered, there are significant numbers of unregistered organisations providing affordable housing, either through the provision of community and Indigenous housing or private rental properties supported by NRAS.

The National Regulatory Code sets out the performance requirements of CHPs under the NRSCH. It does not prescribe how providers should run their businesses but rather focuses on the achievement of outcomes in the following areas:

- Tenant and housing services;
- Housing assets;
- Community engagement;
- Governance;
- Probity;
- Management; and
- Financial viability.

Under the NRSCH, registered housing providers are ordered in tiers according to the scale and complexity of their tenancy and property management and development activities. While there is some flexibility, tier 1 CHPs typically either manage more than 350 properties or have the capacity to undertake ongoing development activities at scale, tier 2 providers are generally responsible for between 50 and 500 dwellings and/or small scale development activities and tier 3 providers support less than 100 properties and/or are typically involved in very small-scale (if any) development activities.

As at mid-2017, there are 30 Tier 1 providers, 34 Tier 2 providers and 203 Tier 3 providers registered under the NRSCH (NRSCH 2017).

THE NATURE OF THE REGULATORY PROBLEM

One of the preliminary aims of the NRSCH was to develop a culture of registration and compliance in order to reduce risk and promote effectiveness and efficiency in the sector. This was an essential part of responding to the then needs of the CHP sector, government, and the broader community and improving the professionalisation of the community housing sector. However, as the sector has matured, there is a need to shift the emphasis from compliance to the delivery of quality services, ongoing growth and greater financial sustainability.

Notwithstanding its many attributes, there are concerns that the NRSCH has lost traction. Some of its acknowledged shortcomings include:

- a focus on compliance rather than capacity building;
- poor quality and availability of sector data; and
- lack of measures for tenant outcomes.

A recent research report on Australia's affordable housing industry identified revitalisation of industry regulation and standards as a core priority for developing the capacity and scale of the industry (Milligan, et al., 2017). It found that *'national regulation has so far failed to achieve Australia-wide coverage, lost all momentum, and become isolated from policy developments. A thorough review of the system is therefore timely. This should encompass the system's governance arrangements and its proper remit, as well as performance standards, compliance guidance, and 'tiers' framework. Also relevant is the growing administrative burden experienced by some providers due to contractual requirements being overlaid on formal regulation.*[15] *Perceived organisational capacity limitations within housing registrar offices need to be addressed.'* (Milligan et al. 2016)

The establishment of a bond aggregator adds a new dimension to the regulatory challenge. The current regulatory system has largely been sufficient for the majority of CHPs that are relatively small in scale, focused on tenancy management and localised in their activities. However, for larger CHPs that are involved in property development and ventures beyond tenancy management, the NRSCH is unable to offer either governments or potential investors with the confidence they require. Additionally, given that the sector will soon be linked to debt capital markets via the bond aggregator, the regulatory settings need to be re-examined.

At the very least, in assessing what changes may need to be made to the current regulatory framework, consideration needs to be given to the extent to which potential investors are reassured of the financial viability of the CHPs they are ultimately lending to, as well as the sector as a whole.[16] This will likely require augmenting regulatory instruments (such as the National Regulatory Code) to allow greater scrutiny of CHPs' governance and financial activities (see box 3.1), noting the importance of maintaining standards on the quality of service provided to people living in community housing.

BOX 3.1: CHANGES TO THE REGULATION OF FINANCIAL ACTIVITIES

In strengthening CHP regulation, it will be important that investors are provided with the assurance that the sector is viable and sustainable. Research on stakeholder views highlights six key principles (refer to **Annex 4** for more detail) for boosting investor confidence in a bond aggregator model (Lawson et al., 2014). This includes:

- **Boundaries** for the entire system that are clear and easy to implement;
- **Lowering risk**, which is achieved through strengthened regulation and government commitment;
- **Transparency and commitment** from the government and through regulatory systems which give investors visibility of system performance;
- **Expert intermediary**, that is effectively resourced to bridge investor, government and sector needs;
- **Scale and frequency** that is responsive to the market and builds on financial sector expertise; and
- **Adequate structure** that ensures the system is sustainable and has longevity.

15 For example, CHPs in NSW that have a relationship with the Department of Family and Community Services are also regulated through contracts – partly as a response to the perceived shortfalls of the NRSCH.

16 This is also directly related to the nature of any Commonwealth Government guarantee of the issuances of the bond aggregator.

BOX 3.1: CHANGES TO THE REGULATION OF FINANCIAL ACTIVITIES (CONTINUED)

These principles emphasise the roles of governments and regulators in the success of a bond aggregator. There is a need for strong stewardship and transparency to gain investor confidence.

Governments have to ensure there is policy stability which is clear and supportive, and that social policy and supply targets are well defined and feasible (Lawson et al., 2014). This could be facilitated through a nationally consistent NRSCH and the National Housing and Homelessness Agreement (NHHA) negotiations.

Investors also require a regulatory system that promotes CHP excellence and efficiency, with accompanying provisions to enforce compliance (Lawson et al., 2014). Registrars of community housing will have to:

- work closely with the bond aggregator financial intermediary to reduce financial risks and ensure compliance that is fit for purpose for the scale of reforms occurring nationally;
- clearly identify vulnerable CHPs and respond through capacity building or through enforcement; and
- report publicly and regularly on CHP activity and performance.

The current NRSCH provides a system to build upon. There are existing measures and process which can be leveraged and enhanced to ensure the system meets the needs of all stakeholders, particularly investors.

Public reporting to boost investor confidence

Recent research by AHURI highlights that CHP industry performance information, and in particular financial data, is not available for public scrutiny at an individual provider level (Milligan, et al., 2017). As the community housing sector grows in both assets and service delivery, this presents an accountability gap.

It will be important to consider whether confidence in the CHP sector is based on actual performance and/or significant capability gap or whether it is due to the lack of visibility of provider data. There do not appear to be legislative restrictions for publicly reporting individual service provider performance data, and this provides an opportunity for enhancing the current system.

For more information on NRSCH compliance activities and performance measures refer to **Annex 5**.

It is unlikely that merely providing additional requirements around CHPs' governance and finances in the context of the NRSCH as currently constituted will wholly satisfy either investors or the CHPs being regulated. When paired with concerns that the current system does not adequately support the ambitions of CHPs that seek to work across jurisdictions, there may be merit in a broader re-examination of the NRSCH.

These concerns emanate from the fact that the NRSCH is not truly national. As noted previously, Victoria and Western Australia remain outside the national system and even the participating States and Territories interpret and enforce the National Regulatory Law and Code differently.

This means that there are practical differences in the way CHPs are regulated from one jurisdiction to the next, and that a CHP operating across jurisdictions faces multiple regulatory systems with differing compliance requirements.

One of the tensions around the concept of a centralised system is that States and Territories retain a prominent role in the sector. Not only do States and Territories have a responsibility to ensure that quality services are extended to those who live in community housing, but they retain a substantial financial interest in the assets that CHPs use to provide these services. States and Territories often transfer or lease public housing stock to CHPs, or pay CHPs to manage the stock and provide a service on their behalf. This adds complexity to the financing arrangements of CHPs, as financiers often have to enter into tripartite agreements with the CHP and the relevant State or Territory Government in order to procure collateral or security to underpin loans provided, with the ultimate effect of limiting the debt finance that CHPs can access.

Greater oversight of the governance and financial activities of CHPs in a regulatory framework that ensures national consistency is required to provide investors with the confidence to invest in the bonds issued by the bond aggregator and to maximise the benefits of the bond aggregator.

Options for reform

A stronger, nationally consistent regulatory framework will need to be implemented via changes to the National Law (including legislation, regulations or a regulatory code) and its application.

Given that the bond aggregator's first issuance may occur as soon as late 2018, an immediate priority is for regulatory reform to ensure stronger financial reporting and risk management from CHPs, as well as oversight of governance arrangements. Additionally, regulatory changes that ensure consistency of application of the Law across jurisdictions will guide the actions of CHPs, shape the activities of the regulator and give confidence to potential investors.

However it is important to recognise that while they will support the implementation of a bond aggregator, these changes will not address the deficiencies in the regulatory framework alluded to by Milligan et al., (2017) among others. It may be that the advent of the bond aggregator and a renewed focus on enabling scale and sophistication in the provision of community housing presents an opportunity to reorient and modernise the regulatory framework to respond to the significant growth, maturity and developments within the CHP sector. This will better position the regulatory framework to assist CHPs to meet the needs of government, clients and private investors.

These dual objectives — ensuring the regulatory framework can support a bond aggregator and is configured to the broader needs of the sector — need not be advanced simultaneously, but they will ultimately need to characterise the regulation of CHPs.

Improving the NRSCH

Reviewing and reforming the NRSCH has a number of advantages. The current NRSCH is agreed to and understood by each jurisdiction and those in the sector. Additionally, building on an established structure allows resources to be devoted to directly targeting its deficiencies.

In the short term, reforming the current NRSCH would require negotiation with the States and Territories with the priority being to build stronger standards around CHPs' finances into the National Regulatory Code, and to facilitate Victoria and Western Australia's entry into the scheme.

However, this would not address a weakness with the current NRSCH — a lack of national consistency in application — given that it is administered independently and interacts differently with policy settings in each jurisdiction. (The clearest examples of this are the tripartite agreements between jurisdiction, CHP and financier which add complexity to the process of offering security and, as a result, the ability of CHPs to obtain debt financing.) A lack of consensus across jurisdictions on these issues is likely to prompt uncertainties among potential investors about the viability of the sector. Moreover, the prospect of differing regulatory requirements and processes may dissuade CHPs from operating across jurisdictions, or at a minimum create additional compliance costs in doing so.

There are mechanisms for addressing these weaknesses, and for ensuring the NRSCH aligns with the needs of the sector. A legislated review of the Community Housing Providers National Law is due in 2018 to determine whether the policy objectives of the Act remain valid and serve public interest. The review provides an opportunity to strengthen regulation and rebuild the system so it achieves nationally agreed social and affordable housing objectives (including the attraction of private investment) in the most efficient and effective way.

Building a new, national system

One way of ensuring that regulation is applied consistently across jurisdictions is for a single regulator to assume responsibility for the regulation of the sector. A single regulator may be (but does not necessarily need to be) a new Commonwealth regulator.

The advantage of this approach is that the same regulatory system, including powers of the regulator, enforcement activities and reporting requirements would apply nation-wide. CHPs operating across several jurisdictions would not need to comply with different regulatory requirements or processes. It avoids regulatory overlap and the need for multiple regulators and systems and clarifies where the authority to step in and support, wind-up or merge CHPs that operate across jurisdictional borders lies.

This option is likely to be the most complementary to the operations of the bond aggregator. It provides the most confidence to institutional investors and the strongest signal of the viability of the sector. It ensures that all CHPs operate under a single regulatory code that is applied in the same way.

One of the challenges associated with this approach is that it would require all jurisdictions to agree to place the regulation of their community housing sector under a single national regulator with the power to ensure consistent application of the regulations, with governance arrangements to be agreed by the States and Territories. This would represent a substantial change for jurisdictions. Some may see value in maintaining a degree of control (currently through their Registrars) over the regulation of CHPs, given their interest in the quality of service provided, tenant outcomes and their substantial and ongoing investments in the stock of community housing (particularly if the income or subsidies associated with these assets were then leveraged to provide services in other jurisdictions.)

If a national regulator were to be established at the Commonwealth level, there would also be further complexities as it would represent a substantial expansion of the Commonwealth's role in the sector, including into aspects where it has traditionally had no role (such as the management of CHPs' tenancy activities, tenancy support services and complaints management).

A PATH TO A STRONGER, NATIONALLY CONSISTENT FRAMEWORK

The major difference between these options is the scale of the task. Prosecuting either of these options will require substantial negotiation between the Commonwealth and the States and Territories. But where reforming the NRSCH will feature discussions aimed at addressing the limitations of the current system, the alternative — building a new, national system — will require consensus across a range of other issues, including many that have previously been negotiated and form part of the NRSCH. In this sense, establishing a new, national system is likely to be significantly more resource and time intensive.

A more viable approach would be to focus on improving the NRSCH. Then, if it cannot be re-purposed to support a bond aggregator and to address some of the deficiencies described earlier in the chapter, the development of a new, national regulator can still be canvassed, at a future date.

Implementing these changes is complicated by the likelihood that the bond aggregator will issue its first bonds in late 2018. However, the convening of a Senior Officials Working Group (SOWG) (to progress the housing-related initiatives announced by the Commonwealth Treasurer at Budget 2017-18) and the review of the NRSCH scheduled for 2018 mean that there are processes in place to progress potential enhancements.

A possible program for modernising the framework could include using the SOWG to consult with all jurisdictions, the community housing sector and potential investors and to propose a blueprint for the regulation of the governance and financial activities of CHPs, with special regard to the fact that the operating environment will soon include a bond aggregator. As a part of this, the SOWG could also facilitate broader discussions with Victoria and Western Australia on the prospect of joining the NRSCH including a plan for welcoming them into the national system.

These changes alone would not be sufficient to ensure national consistency. Disparities in the way in which Registrars enforce the regulations could persist. So too might inconsistencies in the way jurisdictions contract with CHPs, with ongoing implications for financiers seeking collateral or security. For these reasons, the task of the SOWG could include determining the scope for national standards to mitigate these issues.

If successful, these improvements would represent substantial strides towards ensuring the regulatory system will support a bond aggregator. But they would not address the broader question of whether the regulatory framework is able facilitate future growth in the sector. For this reason, the review of the NRSCH by mid-2018 is crucial.

Recommendation 2

The Affordable Housing Working Group recommends that the Commonwealth and State and Territory governments and the community housing sector work together to develop and implement a uniform and nationally applied regulatory framework that supports the implementation of a bond aggregator as well as the growth of the sector nationally.

A common regulatory framework that is consistently applied across all jurisdictions and provides certainty for CHPs operating across States and Territories will assist the growth of the CHP sector and provide confidence to potential investors.

Recommendation 2 (continued)

To achieve this, the Working Group recommends that the Council on Federal Financial Relations develop proposals in consultation with relevant Housing Ministers for:

- strengthened governance and financial reporting and risk management policies for CHPs which are seeking access to the bond aggregator;
- the entry of Western Australia and Victoria into a suitably strengthened National Regulatory System for Community Housing to the extent required to enable the bond aggregator to lend into those jurisdictions in a way that maximises investor confidence; and
- consistent application of the regulatory framework and consistent regulatory policy settings across jurisdictions, such as the way in which jurisdictions contract with CHPs.

Implementation of these proposals should occur by 1 July 2018 to support the commencement of the bond aggregator.

The Affordable Housing Working Group also notes the importance of the Review of the National Regulatory System for Community Housing scheduled for 2018 for examining and improving the broader framework of community housing regulation (including tenancy management) to ensure that the regulatory system supports future growth in the sector. The review should also consider any changes to the policy settings that will improve the capability of the sector and whether moving to a single national regulator is appropriate.

5. BROADER REFORMS TO ASSIST HOUSING AFFORDABILITY

While the focus of this report has been on reforms targeted to assist the affordable housing sector, this is linked with the broader spectrum of housing need across the community. Accordingly, reforms that increase the supply of housing more broadly have the capacity to improve housing affordability and alleviate some of the pressure on the community housing sector.

Whilst not an exhaustive list, this chapter discusses possible reforms including improved planning systems to deliver simple and consistent outcomes, a better use of surplus land and a switch from stamp duty to a broad-based land tax as reforms which would have an impact on broader housing supply.

PLANNING AND ZONING

Improved planning processes to increase system efficiency

The way in which planning systems function can have major implications for housing supply. A recent study demonstrated direct links between planning controls and supply responsiveness (Ong et al. 2017). Others have highlighted the need to reform planning and zoning rules across jurisdictions to increase competition and improve productivity (PC 2011; Harper 2015). Inefficiencies in the planning system are estimated to cost Australia's economy billions of dollars each year, contributing to lower growth and living standards. A report by the Centre for International Economics estimated the cost of inefficiencies in NSW alone to be between $1 and $2 billion per year.

Planning and zoning laws and regulations are the sole responsibility of State and Territory and local governments. The most common approach to improving the efficiency of planning systems is to minimise unnecessary planning regulations/compliance costs, and to reduce the costs associated with planning application processes and associated delays (such as administration, unnecessary duplication and holding costs).

The Productivity Commission's *Performance Benchmarking of Australian Business Regulation: Planning, Zoning and Development Assessments* (2011) identified leading practices to improve planning, zoning and assessment. These include:

- providing clear guidance and targets in strategic plans while allowing flexibility to adjust to changing circumstances and innovation (so long as good engagement, transparency and probity provisions are in place);
- broad and simple land use controls to: reduce red tape, enhance competition, help free up urban land for a range of uses;
- risk-based and electronic development assessment;
- timeframes for referrals, structured planning and rezoning; and
- collecting and publishing data on land supply, development assessment and appeals.

The 2015 Competition Policy (Harper) Review also recommended that jurisdictions implement reforms to ensure the rules do not unnecessarily restrict competition. Collaboration across jurisdictions can assist in developing 'best practice' guidelines that each government can adopt in line with its own local considerations.

Noting the large amount of work required to undertake systematic planning reform, a targeted approach would need to be developed to fast-track processes to apply specifically to affordable housing developments, with wider market based reform to follow.

Rezoning to allow greater density

One of the most effective ways of promoting greater housing supply is to rezone land. Rezoning can be used to change how land is used (for example, from commercial or industrial to residential), or to allow more dwellings to be built on any given parcel of residential land.

Rezoning often occurs when a city expands and new suburbs are created on the urban fringe. For example, as a part of the Homes for Victorians initiative, the Victorian Government has committed to rezoning enough land to develop 100,000 homes (and 17 new suburbs) over the next two years. Initiatives like this have a pronounced effect on housing supply, but they do not satisfy the unmet housing needs of the entire community, and there are costs (like additional infrastructure requirements and the time costs of residents that face longer commutes) associated with a sprawling city.

Higher density living in the inner rings of a city can offer substantial benefits. It can alleviate the unmet housing needs in specific parts of the city, with the greater supply contributing to increased affordability. Managing urban growth through greater density can also make providing infrastructure like public transport more economical and offer residents greater choice and opportunity to locate near work opportunities or amenities.

Despite these benefits, it can often be challenging for the local and State and Territory governments to implement increased density. While changing the use of land (like the rezoning of industrial land in the City of Sydney for commercial or residential use) is generally less contested, increasing the density in residential areas often meets with local resistance. This is particularly the case where residents believe that increased density will change the nature of the urban environment around them (even if it increases the value of their land holdings).

EFFICIENT USE OF RESOURCES

Better utilisation of surplus land

All levels of government have holdings of land which are not utilised or are underutilised. While some of this land is marked for future use and biodiversity offsets, consideration should be given to whether it may be considered surplus and redirected to an alternative purpose.

In the 2017-18 Budget, the Commonwealth Government announced that it is developing a public, online registry of its land holdings, which will allow other levels of government, private businesses and community groups to bring forward proposals to put the land to better use, including for housing development.

Opportunities may occur at the State, Territory or local government level to follow this example as unlocking land for development opportunities would assist in the delivery of housing supply and may assist affordability. Further, it could reduce the input price of developable land if sold at a discount to a builder with an obligation to build affordable housing. To the extent that surplus land is well located with good existing infrastructure, there is potential for limited infrastructure contributions to be required, further reducing the cost of delivering new developments.

Land tax – stamp duty reform

Assuming revenue neutrality, replacement of stamp duty with land tax is likely to make a positive contribution to housing affordability. As both taxes are capitalised into land values, tax-inclusive prices will be largely unchanged. Removal of stamp duty may modestly increase the effective supply by allowing a more efficient allocation of existing housing stock.

The primary advantage of land tax over stamp duty is economic efficiency[17]. Stamp duties reduce beneficial transactions and distort capital improvements, leading to a misallocation of housing and capital. In contrast, taxes on unimproved land value have minimal effect on land usage decisions. In addition, stamp duties can be an undesirable deterrent to employment transfer, inhibiting the flow of skills across the labour market.

Removing stamp duty would increase mobility and allow a better allocation of housing stock, reducing the number of households that occupy 'large' homes relative to their current needs, or hold houses which are vacant. Abolishing stamp duty would therefore free up supply from the existing stock of homes, placing downward pressure on market prices.

A number of challenges complicate any potential switch from stamp duty to land tax. These include the difficulties associated with forcing home owners (rather than home buyers) to bear the tax; the need to balance setting the tax at a level that, in the long term, replaces the revenues from stamp duty without being overly onerous; as well as the short-term budgetary impacts of a switch. These challenges would need to be considered and managed as part of any transition.

17 The Henry Tax Review, Commonwealth Tax White Paper Re:Think, and work by industry participants such as Deloitte Access Economics *The economic impact of stamp duty: Three reform options*, (2015) all provide evidence that stamp duty is less efficient than land tax.

6. THE NEED FOR A COLLABORATIVE APPROACH

One of the defining characteristics of housing is that the policy levers are shared across all levels of government. This means that meaningful change requires collaboration between the Commonwealth, States and Territories and local governments, with CHPs and the private sector.

While all levels of governments aim for better housing outcomes, in a number of circumstances their incentives do not align. For example, while there are considerable aggregate economic and social benefits associated with urban infill and higher density developments, many of the costs of these initiatives — pressure on local infrastructure, increased congestion and higher service or maintenance costs — are felt at the local level, diminishing community and local government support for new residential development. Ultimately, for better housing outcomes to be delivered, all levels of government need to work with (and not against) each other to achieve greater coordination of effort and consistency in policy settings.

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ANNEX 1: POTENTIAL PARTNERSHIP MODELS TO DELIVER MIXED TENURE, INTEGRATED AFFORDABLE HOUSING PROJECTS

Incorporated joint ventures, where a separate company is established to deliver a project. The Authority and its partners each contribute equity to establish the joint venture company. The Authority usually provides land, with access to finance contributed by the private partner. Profits are shared between the partners on a risk-return basis, and the Housing Authority receives access to sites for its social and affordable housing programs, which are integrated into the wider development. Examples include Ellenbrook in the eastern corridor, one of Australia's most successful greenfield developments and home to 30,000 people, Brighton in Perth's north, and the transit oriented development at Wellard in the south.

Development agreements where the Housing Authority provides land and a private sector party is engaged to undertake the development. The private sector partner provides all development funding (often supported by their own finance), and the Housing Authority receives a share of the net profit, as well as sites for social and affordable housing. Successful projects include the Somerly development at Clarkson, north of Perth and Mevé at Beeliar in Perth's southern suburbs.

Limited recourse project financing structures. In recent years, the Authority has expanded its partnering model from greenfield land projects to deliver medium and high-density housing. A number of inner and middle-ring sites have been put to market and attracted private sector partners who have brought equity, development finance and project management to deliver a project. Each project includes a mix of social housing, affordable rental, shared and low deposit ownership options, as well as full market sales. Attention is always given to ensure that an appropriate mix of tenures and dwelling types is provided to ensure a balanced, well-functioning community is established. The Authority's return on its equity investment is translated into retained social housing dwellings, equity (in shared equity properties) and development profit.

- The One on Aberdeen project in Perth's inner city saw the Housing Authority leverage more than $48m in private sector debt and equity to deliver a $73m, 161 apartment development, off the back of a $6m site. By being an active equity partner rather than a passive seller of the land:
  - 50% of the 161 apartments were delivered at price points affordable to people on low-moderate incomes;
  - 40% were for targeted groups including social housing, NRAS, key worker owner-occupiers and shared equity homebuyers; and
  - 32% are retained in the long term for social and affordable housing (social housing, NRAS, and co-owned shared equity apartments) and 22% in perpetuity (social housing and shared equity).

* Ongoing Expression of Interest

The WA Housing Authority has established an ongoing Expression of Interest process that delivers new affordable housing and supports entry level supply to the market. The Authority uses its working capital to procure new dwellings at scale, enabling it to obtain significant discounts from market prices. The homes are on-sold to moderate-income purchasers under a shared equity arrangement, with the discount becoming the Authority's equity share (effectively at no cost). The program is flexible and responsive to market conditions, which influence the value of the discount that can be obtained. An independent evaluation of the scheme by Ernst and Young found that it "makes a sustained, substantial difference to the financial well-being of lower-income households and delivers a positive rate of return for government."

ANNEX 2: PROJECT SUMMARY: ONE ON ABERDEEN NORTHBRIDGE

The *Affordable Housing Strategy* challenged the Housing Authority to efficiently use government land to leverage external capital and generate additional social and affordable housing. Through changing from a passive seller of land, to an active equity participant on commercial terms, the HA has engaged differently with the market to deliver innovative partnered developments such as *One on Aberdeen* in Northbridge – with a strategic focus on infill and smaller affordable dwellings.

After a two-stage tender process, the HA partnered with a private sector developer to facilitate delivery of a high quality 161-unit apartment building in Northbridge on an under-utilised site (previously a carpark). The private sector partner funded the planning, site preparation and sales and marketing. Land was committed by the HA in a limited resource project finance structure once presales and conditions precedent were met. This helped facilitate debt finance for construction. The HA's commercial return was converted to apartments and cash. Because of the role the HA played, the policy outcome was that 66 apartments were specifically sold or rented to people on low-moderate incomes.

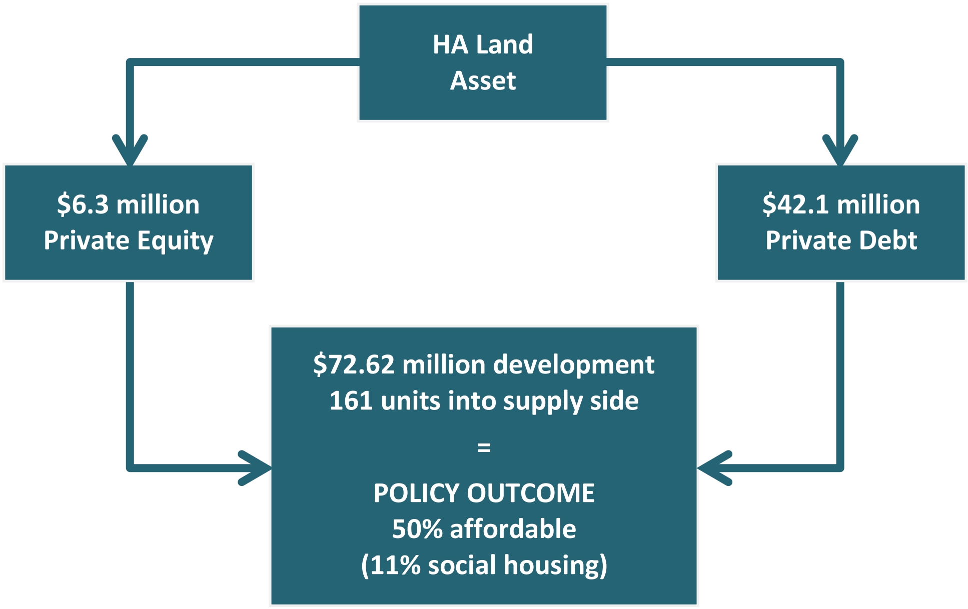
HOUSING AUTHORITY (HA) INVESTMENT/RETURN

Land Asset → **Return on Investment** ≡ **17 Social Housing units**
18 Shared equity
14 Essential Worker
$2.3m Cash

+ 17 NRAS

↑ Negotiated Value of Equity into Transaction

DIRECT MARKET IMPACT - LEVERAGE - BENEFIT



ANNEX 3: PRINCIPLES FOR MEETING INVESTOR NEEDS[18]

Principles:	What might this look like:	How this could be achieved:
Boundaries	• defined characteristics of eligible projects for guarantee • overall and project-related borrowing volume cap (and contingent liability for government) • competitive allocation process for guarantee certificates • long-term policy commitment to sustainable business model by all stakeholders, including equity and revenue support arrangements	• Targeted to investments in affordable rental housing for low and moderate income households. • Allows for differentiation of targets to meet regional needs and policy goals (for example, sustainability, inclusion, renewal, key worker) • Contestable, competitive allocation of guarantee certificates to promote transparency, innovation and efficiencies, between Tier 1 CHPs and strong Tier 2 CHPs with consolidating development expertise. • Defined and regular process for competitive allocation of guaranteed bonds, underpinning a pipeline of investment opportunities and justifying long-term investor interest. • Clear debt coverage ratios for project-related borrowing to protect investors and borrowers, informed by specialist understanding of CHP business models. • Guarantee agreement defining overall volume cap (and hence contingent liability) for government, providing a pipeline and giving certainty to investors. • Guarantee only provided separately on each issue up to an agreed cap for an agreed period, maximising incentives for individual borrowers to meet their commitments. • Long term policy commitment to co-financing and revenue arrangements to provide equity and secure revenue.
Lowering risk	• expert management and regular professional reports • appropriate regulation and enforceable compliance • sufficient equity and revenue base • back stop role of government	• Addresses investor information asymmetry by the bond aggregator agency providing specialist credit assessment expertise to ensure CHPs have sufficient equity and revenue base to service debt, before any investment is made.

18 (Lawson et al., 2014).

Principles:	What might this look like:	How this could be achieved:
Lowering risk (continued)		• Investors' commitments are protected by government guarantee, which in turn is backed by credit assessment expertise of financial intermediary, credit assessment of rating agency, maturity of successful CHPs, monitoring and step-in powers of regulatory systems and the reserve funds accumulated by the intermediary (see below). • Ensures that the likelihood of default is minimised, preventing any call on the back stop role provided by government. • Promotes excellence and efficiency in regulation. • Draws on but does not duplicate regular professional reports to National Regulatory System and state-based regulatory systems. • Builds effective links with Regulators to provide early warning systems to bond aggregator agency and makes use of their provisions to enforce compliance.
Transparency and commitment	• clear mission. • professional financial management and accounting standards. • commitment to a sustainable business model by relevant stakeholders. • appropriate information for investors. • governing guarantee agreement and joint marketing strategy.	• Commitment by government to provide adequate equity and revenue support to not-for-profit, below market rent providers of rental housing, including the establishment of equity support (grant, public loan, planning contribution) and refinements to improve adequacy of CRA and NRAS. • Strongly promotes government commitment to an enforceable and appropriate regulatory system, appropriate NRAS and ATO rules. • Clearly defined guarantee, offering investors the full faith and credit of the government. • Appropriate joint marketing strategy by all stakeholders involved.
Expert intermediary	• vetting and aggregating CHP investment needs. • independent and expert management, skill base to assess proposals. • risks and enforce regulatory compliance among borrowers.	• Establishment of an independent bond aggregator agency, governed by an expert Board of Directors, served by a professional credit management team. •

Principles:	What might this look like:	How this could be achieved:
Expert intermediary (continued)	•	• Not-for-profit intermediary efficiently managed to reduce fees and commissions charged to both investors and borrowers. • Vets and herds CHP investment needs, assesses proposals and their risks. • Has financial expertise to manage the assessment, pooling, rating and issuance process. • Builds up sufficient reserves to cover potential and unexpected contingencies, while maximising cost efficiencies for investors and borrowers. • Works closely with Regulators to enforce compliance among borrowers, and provide early warning to bond aggregator agency.
Scale and frequency	• pool multiple smaller borrowing demands to achieve efficient scale • regular bond issues to sustain market interest • involvement of lead bank with investor liaison	• Pooling converts multiple smaller borrowing demands to achieve efficient scale for investors. • Regular bond issues to sustain market interest. • Bond issues are individually rated. • Lead banks, with expertise in bond issues, bring issues to market and facilitate liquidity of bonds.
Adequate structure	• clear and agreed structure including targets • volume cap, • contestable allocation • on-going compliance process and 'trigger points' • practical lines of defence against default • mechanism to build up contingency reserves • agreed loss sharing arrangements	• Last resort government guarantee reduces investment costs and offers investors full guarantee of principle and coupon in the event of default. • Guarantee agreement identifies trigger points for an early warning system to prevent defaults, harmonised with Regulators. • Bond aggregator agency builds up two reserve funds via pass through of the capital loan to CHPs and a premium on the interest paid. • Guarantee is only drawn on following the exhaustion of bond aggregator agency funds and CHP debt recovery process.

ANNEX 4: COMMUNITY HOUSING SECTOR REGULATION[19]

All providers registered under the National Regulatory System for Community Housing (NRSCH) must comply with the National Regulatory Code contained in the Community Housing Providers National Law and are assessed on their compliance with the performance requirements set out in the Code. The seven performance requirements set out in the Code are:

1. **Tenant and housing services** – the CHP must be fair, transparent and responsive in delivering housing assistance to tenants, residents and other clients

2. **Housing assets** – the CHP must manage its community housing assets in a manner that ensure suitable properties are available at present and in the future

3. **Community engagement** – the CHP must work in partnership with relevant organisations to promote community housing and to contribute to socially inclusive communities

4. **Governance** – the CHP must be well governed to support the aims and intended outcomes of its business

5. **Probity** – the CHP is expected to maintain high standards of probity relating to the business of the provider

6. **Management** – the CHP must manage its resources to achieve the intended outcomes of its business in a cost effective manner

7. **Financial viability** – the CHP is required to be financially viable at all times.

The state-based Registrar actively monitors compliance by registered providers using a risk based approach. This involves a combination of periodic formal compliance assessments and ad hoc compliance assessments that may be triggered by events and other information received by the Registrar.

Under the national system CHPs are registered in one of three tiers, based on the scale and scope of their organisation and business model (number of tenants, assets and developments). Tier 1 providers have 'high performance requirements and regulatory engagement'. These providers take on high levels of risk. Tier 2 and Tier 3 providers are moderate and smaller scale providers, including specialist housing providers.

The frequency of compliance assessment is determined by the CHP's tier of registration. Tier 1 and Tier 2 CHPs may be subject to annual compliance assessments, while Tier 3 CHPs are assessed on a biennial cycle.

19 *Regulatory Reform and Relationships in the (NSW) Community Housing Provider Sector*, Options Paper April 2017. NSW Department of Family and Community Services.

At present, the tier structure, regulatory code and corresponding evidence guidelines largely emphasise asset and financial performance measures. CHPs are required to submit additional schedules to support compliance in these areas. These are two areas of performance which are particularly important for the implementation of a bond aggregator model and would potentially be beneficial for investors to have greater visibility of.

REPORTING FINANCIAL VIABILITY

Financial analysis of CHP viability is conducted through the financial performance report (FPR) to produce ratio and trend analysis. The analysis covers assessments of cash flow, operating margins and debt serviceability. The FPR is segmented to give an individual revenue stream and consolidated view of viability, and the ability to compare the potential impact of changes originating from a particular revenue stream. The FPR is submitted in addition to other evidence of financial viability which can include:

- audited financial statements
- financial performance reports
- strategic/business plans
- risk management plans
- historical and forecast data
- asset management and maintenance plans
- group structures and partnerships
- levels of involvement in support housing activities
- levels of involvement in diverse business activities
- levels of involvement in contract income
- levels of involvement in property development
- the number and nature of any affiliated entities' financial policies and procedures.

REPORTING ASSET MANAGEMENT PERFORMANCE

Under the code providers are required to provide evidence that they are:

a. determining changing housing needs and planning asset acquisitions, disposals and reconfiguration to respond (strategic asset management)

b. setting and meeting relevant property condition standards

c. planning and undertaking responsive, cyclical and life-cycle maintenance to maintain property conditions (asset maintenance)

d. planning and delivering its housing development program (asset development).

Sources of evidence that can be used to demonstrate compliance include:

- Business plan
- Annual report
- Provider website
- NRS financial performance report and financial planning and forecasting
- Strategic asset management plan
- Record of current and future housing needs analysis
- Asset management policies, procedures and reports
- Maintenance data
- Complaints data
- Appeals data
- Certification to the specific legal and policy requirements relevant to its jurisdiction
- Maintenance procurement processes and contracts
- Communications to residents/tenants (such as newsletters)
- Records of tenant/resident feedback (for example, tenant/resident meetings, consultations) and actions taken as a result
- Risk management plan and register
- Industry partnership engagements, contracts and agreements
- Project progress reports and closure reports
- Strategic/development/growth plans and data
- Scenario planning or stress testing
- Debt financing arrangements and covenants
- Capital structure

To further meet asset requirements under the National Law, CHPs must complete the *Community Housing Asset Summary and Performance Report* and provide the following details about all of the community housing assets they hold under the system:

- property numbers;
- location;
- characteristics (ownership, interests, housing use type, asset class)

- maintenance liabilities, and
- scope and scale of CHP property development activity, where applicable.

These community housing assets would then be the subject of the wind-up condition of registration, which provides for the redistribution of relevant assets to government or another registered CHP in the event of organisational wind-up.