

**HOUSING AFFORDABILITY FUND  
CONSULTATION PAPER**

**JUNE 2008**

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## Table of Contents

Minister's Foreword.....	4
Making Comments .....	5
Confidentiality .....	6
Glossary of Terms.....	7
1. Overview.....	8
1.1 Objective .....	9
1.2 Eligible applicants .....	10
1.3 Target areas .....	10
2. Possible Proposals .....	11
2.1 Infrastructure .....	11
2.2 Reform .....	11
3. Mandatory Criteria .....	16
3.1 Compliance with Commonwealth, State, Territory and Local Government Requirements.....	16
3.2 Future Viability.....	17
3.3 Details of Consortia or Partnerships.....	17
4. Weighted criteria (point of competition) .....	18
4.1 Value for Money .....	18
4.2 Reform and Leading Practice .....	19
4.3 More Affordable Homes .....	20
4.4 Additional Support.....	21
4.5 Accessibility and Sustainability .....	21
5. Assessment Process .....	22
5.1 Overview .....	22
5.2 Timeline.....	25
5.3 Successful Applicants.....	25
5.4 Unsuccessful Applicants.....	25
5.5 Feedback and Complaints mechanism .....	26
6. Performance Measurement .....	27
6.1 Overview .....	27
6.2 Who is responsible for measuring performance? .....	27
6.3 What will be required data? .....	28
7. Contractual Arrangements.....	29
8. Questions.....	30

## **MINISTER'S FOREWORD**

Housing is now less affordable than at any other time in our recent history.

Many Australians are having trouble finding affordable housing and they are using a growing proportion of their income to keep it.

The underlying reason is we are not building enough new homes.

The expected number of new dwellings, or housing starts, for 2007-08 is just 154,000. This is well below the 170,000 housing starts recorded in both 2002-03 and 2003-04.

It is also well below industry estimates that we need to build at least 170,000 new dwellings in 2007-08 alone just to keep up with the housing needs of a growing population

To help address this problem, the Australian Government is investing \$512 million in a Housing Affordability Fund to lower the cost of building new homes by tackling the critical supply side issues of the length of time taken to bring new houses to sale and the impact of infrastructure charges.

The Government wants to create an incentive for projects that will make housing more affordable.

The Fund will give priority to proposals that improve the supply of new affordable housing, especially homes that help first time buyers enter the market.

Money will be targeted to areas with high demand for new housing and can be used for both green-field and in-fill developments.

To be eligible for funding, applicants will have to show how savings generated by planning or development reform created by the Fund will be passed on to the home buyer.

This consultation paper outlines how the Government plans to run the Fund, and provides an opportunity for feedback to ensure our aim of improving the availability of new affordable homes is met.

**Tanya Plibersek**  
**Minister for Housing**

## **MAKING COMMENTS**

The Government is seeking submissions and comments by 17 July 2008 to assist in finalising the design of the Housing Affordability Fund program and the process for selecting suitable projects and distributing funds.

Comments can be forwarded to the following address:

Manager

Housing Affordability Fund

Department of Families, Housing, Community Services and Indigenous Affairs

Athllon Drive

TUGGERANONG ACT 2900

Alternatively, they can be sent to: [haf@fahcsia.gov.au](mailto:haf@fahcsia.gov.au)

Further copies of this paper can be obtained by writing to the address above or from the website, [www.fahcsia.gov.au](http://www.fahcsia.gov.au).

## **CONFIDENTIALITY**

All submissions will be treated as public documents unless the author of the submission clearly indicates otherwise by marking all or part of the submission as 'confidential' before the submission is lodged. Submissions may be published in full on the website, including any personal information of authors and/or other third parties contained in the submission. If your submission contains the personal information of any third party individuals, please indicate on the cover of your submission if they have not consented to the publication of their information.

A request made under the *Freedom of Information Act 1982* for access to a submission marked confidential will be determined in accordance with that Act.

## **GLOSSARY OF TERMS**

### **Department, FAHCSIA**

Commonwealth Department of Families, Housing Community Services and Indigenous Affairs.

### **eDA (electronic Development Assessment)**

A computer based process for local councils to receive and assess development applications (as opposed to the paper based process used by many councils in Australia).

### **Expression of Interest (EOI)**

Refers to an application for funding under the Housing Affordability Fund (stage 1).

### **Greenfield**

New housing development that is part of a broad hectare development. A greenfield has not been previously subdivided and hence there is no need to remodel or demolish any existing structure.

### **Infill**

New construction within an existing built-up (urban) area.

### **Local Government Area**

Refers to the area covered by a council or shire jurisdiction.

### **Sequencing**

The development of land in an orderly, staged sequence to ensure that infrastructure and services necessary for housing are provided before moving to release a new stage for development.

### **The Fund**

The Housing Affordability Fund

# 1. OVERVIEW

## Key Points

The desired outcomes of the Housing Affordability Fund are to make housing more affordable by:

- encouraging best practice in local government in respect of residential development assessments
- speeding up development assessment processes to reduce the holding costs for developers associated with the time taken to approve a development, and ensure the savings are passed on to the homebuyer
- reducing the burden of infrastructure charges on developers, in order to generate savings for purchasers of new, moderately priced homes
- where possible, attracting additional savings from other possible reforms (such as planning reforms) by states, territories and local government that have a quantifiable dollar value for developers, in order to generate savings for purchasers of new, moderately priced homes.

A separate selection process has begun for eDA and related IT infrastructure proposals. These will be funded from the \$30 million allocated under the Housing Affordability Fund by the Prime Minister in March 2008.

The Australian Government has established the Housing Affordability Fund with an investment of \$512 million to be spent over five years in order to lower the cost of building new homes. The Fund will make housing more affordable by addressing two significant supply-side barriers to housing development:

- holding costs incurred by developers and home purchasers through lengthy planning and/or development assessment processes
- infrastructure costs, such as water, sewerage, roads, open space and community facilities, which are incurred variously by local and state governments, often passed on to developers and in turn to buyers of new homes.

The Fund will be established on 1 July 2008 with funds distributed through funding agreements, primarily to local governments. Funding recipients will be selected by a competitive process. It is proposed the selection criteria for applications will provide enough flexibility to accommodate variations in jurisdictional characteristics and policy reform agendas. This is because the infrastructure charges and regulatory reforms pertaining to new housing development vary considerably between states and territories, and the Australian Government wants homebuyers in all jurisdictions to benefit from the funding and reform leveraging enabled by the Fund.

The Fund will target greenfield and infill developments where high dwelling demand currently exists or is forecast for the next five years. Applications will be assessed against transparent selection criteria. They will need to show how cost savings resulting from the Australian Government funding will be passed on to new homebuyers and how reforms agendas will be progressed. Priority will be given to proposals that make the greatest impact on the supply of entry-level or moderately priced housing.

The first funding round will commence in August 2008, covering the 2008/09 financial year, with a second round scheduled for March/April 2009, covering the 2009/10 financial year. Future rounds will be announced at a later date. Each funding round will involve a call for initial Expressions of Interest, with FaHCSIA retaining an option to seek additional information before announcing successful applicants. The Expressions of Interest must be submitted in accordance with a proforma developed by FaHCSIA.

The Australian Government has committed up to \$30 million of the Fund to develop IT infrastructure and software required to implement electronic development assessment (eDA) systems and online tracking services nationally, to reduce red tape and streamline planning approvals. This Consultation Paper does not cover the selection process for eDA and applications for eDA funding will not be accepted under the Fund's funding rounds. Further information on the eDA funding process will be provided shortly, independently of this consultation process.

## **1.1 OBJECTIVE**

The Housing Affordability Fund will help lower the cost of new, moderately priced homes by encouraging all levels of government to work together to address planning blockages for new developments and reduce infrastructure charges. Funding will operate both as an incentive to take up reform and by contributing to development costs that would otherwise be passed on to homebuyers.

A key factor in the allocation of funding will be the need for applicants to demonstrate how they will achieve additional savings for homebuyers through planning or Development Assessment reform.

In all cases, the applicant will need to prove how the savings generated by the project will be passed on to the homebuyer.

It is expected that reforms introduced or supported by local governments using the Fund's assistance will become leading practice models for other local governments across Australia.

It is also expected that councils given funding for infrastructure will also demonstrate a lasting reform to their development processes. The savings generated from this reform must be able to be measured, and a mechanism developed to pass on savings to the purchasers of new homes be specified.

All proposals must meet relevant Commonwealth, state, and local government planning, environmental and heritage legislation and other requirements. It is not intended that development approval be required prior to submitting a funding application; however, approval must be obtained before the funding is paid.

## **1.2 ELIGIBLE APPLICANTS**

It is proposed that applications for funding under the Housing Affordability Fund can only be submitted by:

- local governments and/or Local Government Associations (LGA)
- state and territory governments.

Combined applications from multiple local government authorities or combined local government and state government applications are welcome. In cases where Local Government Associations are the sole applicants, the LGA will need to demonstrate how it can deliver the reform proposed.

Proposals from state and territory governments that cut development costs in specific locales or reduce the regulatory compliance costs of developers across the jurisdiction will also be considered for funding.

Private companies, including developers, are encouraged to participate in the Fund by entering into partnership or consortium arrangements with state, territory or local government applicants. While it is proposed that applications not be accepted directly from private or not-for-profit companies, applications that are the product of close work between the applicant government, builders and/or developers are likely to have a competitive advantage in showing how savings will be passed on to homebuyers. Projects that do not relate to a specific developer or builder could instead use an advisory panel or other evidence of endorsement from builders or developers to support the feasibility and costs of the particular proposal or reform agenda.

Where a partnership has been entered into, approved funding will be paid to the government partner.

## **1.3 TARGET AREAS**

It is proposed that state, territory and local governments, in conjunction with any private company partners, must demonstrate that their application relates to a local government area that has or is forecast to have high demand for new dwellings relative to average growth in new dwellings for other local government areas in the state or territory.

To meet this requirement, applicants must point to evidence that the local government area has experienced sustained demand for new dwellings over the previous three consecutive years, or provide evidence that sustained growth in demand for dwellings is likely to occur over the next five years. Data sources may include the number of building approvals recorded annually for a local government area and/or evidence that growth is projected in urban development plans. It is not expected that applicants will commission new demographic or demand studies.

## 2. POSSIBLE PROPOSALS

A broad range of proposals will be eligible for consideration, to encourage innovation and ensure flexibility in meeting the objective of reducing the cost of new homes assisted by the Fund. Hence the types of proposals that will be accepted will not be prescribed. All projects will be required to pass on quantifiable savings to the purchasers of new homes. The projects and examples outlined below illustrate some of the types of projects that could be submitted.

While proposals that include a level of state, territory or local government co-contribution or reform will be regarded favourably, co-contributions are not a precondition for applications.

### 2.1 INFRASTRUCTURE

The Housing Affordability Fund will not fund large scale housing-linked infrastructure, as this would require the commitment of a significant proportion of the total Fund.

The type of smaller scale infrastructure proposals that may be considered include:

- connecting infrastructure projects, including water and sewerage and roads
- site remediation, including the removal of hazardous waste such as asbestos or petrol contamination
- community infrastructure such as libraries and youth centre, where these facilities would otherwise be funded by charges to the cost of new homes in the area.

There is no specific ceiling on the level of funding that could be given to individual applicants, however, it is envisaged that Australian Government funding would not amount to more than approximately \$10,000 per dwelling. Savings to homebuyers will preferably be greater than the contribution of the Australian Government due to savings achieved through reform to planning requirements for new homes and associated reduction in holding costs.

### 2.2 REFORM

Proposals will need to specify how applicants will improve efficiency in Development Assessment processes, or demonstrate progress towards one or more of the Development Assessment Forum's leading practice reforms. The document *A Leading Practice Model for Development Assessment in Australia*<sup>1</sup> seeks to guide jurisdictions in developing efficient, effective and nationally harmonised development assessment systems.

The type of reform proposals that will be considered include substantive or process reform that will reduce the time it takes for developers to comply with planning or Development Assessment requirements for new homes. These reforms could be particular to the proposed development or systemic reforms (affecting all such developments in the jurisdiction).

The focus of reforms must be on reducing costs to homebuyers through a reduction in the time it takes to bring houses to market.

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<sup>1</sup> Available at [www.daf.gov.au](http://www.daf.gov.au)

## Potential Funding Scenarios

### Case 1: - Connecting Infrastructure

A developer has a greenfield site approved for the construction of three hundred dwellings, but due to the sequencing of other sites in the area, connecting infrastructure is not currently available to the site. Under a proposal agreed between the developer, the council and the state government, the council applies for funding under the Housing Affordability Fund for \$2.95 million to meet the costs to the council of rectifying drainage around the site, connecting sewerage services and connecting the site to mains water. The council also commits to adopt new timeliness standards for the approval of all major developments, thus reducing the overall assessment time for developments into the future. Due to the improved Development Assessment process and the provision of infrastructure, the developer agrees to ensure the level of savings it obtained for the development is passed on to the home purchasers.

As part of this application the council demonstrates that each purchaser of the new homes will save \$9,000 in infrastructure charges, and an additional \$6000 per block from the reduced holding costs, due to the improved processing times and ability to develop the site ahead of planned sequencing. The developer becomes a partner to the application and commits to a reduction in the cost of the house and land packages for low to moderate income earners in the order of \$15,000 below the price of similar homes in a neighbouring suburb.

#### *Per dwelling*

Housing Affordability Fund payment	\$9,000
Improved development assessment time	\$2,000
Removal of sequencing delays	\$4,000
TOTAL SAVING TO HOMEBUYER	\$15,000

### Case 2: - Partnership Developing Indigenous Controlled Land

Indigenous land holders, state and local governments, and a developer have been working on a planning proposal to rezone indigenous community-held land, to allow for a new residential subdivision development in a high growth location.

State and local government planning is advanced. The proposal includes a new subdivision of 180 blocks to provide new land for Indigenous housing, some of which would be available for open sale and some 40 blocks put aside for providers of low cost rental housing, possibly providers of National Rental Affordability Scheme dwellings. The application to the Housing Affordability Fund for \$1.8 million would meet some of the negotiation costs of the rezoning approvals, including an Indigenous Land Use Agreement. It would also meet some infrastructure and public space requirements, including playgrounds. The proposal would bring down the new home site purchase costs by \$6,000 per site to either private purchasers or community housing organisations. The project will allow for additional housing supply in an area not otherwise available and provide a model for reform.

### **Case 3: - Site Remediation**

An old industrial site that has been vacant for many years has been approved for the development of low cost medium density housing. Before construction can begin, considerable site remediation is needed (the site includes an old basement filled with unknown material resulting in possible ground contamination). To clean the site, over 2,000 cubic metres of material will need to be removed at a total cost of \$650,000.

After being approached by the developer, the local council agrees to work with the developer to seek funding under the Housing Affordability Fund to pay for part of the remediation work. The council's application seeks a \$350,000 contribution to the remediation cost, with the result that 35 medium density dwellings are brought forward, saving each of the purchasers \$10,000 in costs that would otherwise have been passed on to them by the developer.

In return the developer agrees to ensure all savings are passed on to the homebuyer, by way of contract with the council which specifies that penalties will apply if the homes are not available for sale at the price reduction agreed with council and set out in the funding application .

*Per dwelling*

Housing Affordability Fund Investment per dwelling	\$10,000
TOTAL SAVING TO HOMEBUYER	\$10,000

### **Case 4: - Adopting a Leading Practice Development Plan**

A council has received a number of complaints from developers about the difficulty of accessing up-to-date information about the local development plan. The council has considered these complaints and agreed that a leading practice model from another jurisdiction should be adopted to improve accessibility of planning information. The council had not previously updated the plan due to the significant cost of employing an external consultant to overhaul the plan and adapt it to the best practice plan sought by developers.

The council decides to submit an application for funding under the Housing Affordability Fund, to cover the cost of employing a consultant to prepare the new plan. The application identifies the savings per lot to developers from a new plan, which is supported by three major local developers who attest in the application to the precise reduction in new house prices achieved by bringing product to market sooner. The developers and council commit to a contractual arrangement to ensure housing is delivered more quickly and at lower cost as a direct result of the new best practice model they propose be implemented. To support the introduction of the new plan, the council undertakes to meet the cost of providing training to staff, to ensure it is properly understood and implemented.

### **Case 5: - Open Space**

A developer has purchased a greenfield site and is able to construct three hundred dwellings of a size and price that moderate and middle income earners could afford. It has taken three years on average for final development approval to be given at similarly sized sites.

Under local planning requirements a developer contribution is required to create open spaces to support recreation activities such as cycling, walking and barbecues. The developer is also required to meet building costs associated with the site, including construction, site works, car parking, contingencies, security, landscaping, fit out, consultancy and program management fees.

Without Housing Affordability Fund assistance, the developer will only make an acceptable profit by building higher-value dwellings on the site, and fewer of them. Alternatively, the developer intends to hold the site until property values increase.

In order to encourage the developer to build a higher numbers of homes at moderate prices, the local council, working with the state government applies for \$600,000 funding under the Fund to contribute to the cost of developing a neighbourhood park. The park will be 5,000 m2 and cost \$1.2 million (land component) plus \$90,000 for items such as earthworks, grass, landscaping, seating/tables, electricity/lights, amenities, play equipment, bins, signage, water, footpaths and design.

The council and relevant state government agencies commit to finalise the development process within 12 months of receiving funding, and simultaneously the developer commits to passing on the savings generated from the reduced processing time by selling a proportion of the homes as designated affordable homes for \$6,000 less than identical homes in the development to low and middle income earners as identified by the state government.

#### *Per dwelling*

Housing Affordability Fund Investment per dwelling	\$2,000
Savings for the affordable homes arising from shorter development assessment processes	\$4,000
<b>TOTAL SAVING TO HOMEBUYER</b>	<b>\$6,000</b>

### **Case 6: - Inner City Affordable Housing**

An inner city council submits a proposal with input from a range of competing developers to build a new multi-unit development on a brownfield site. The development will comprise 150 new dwellings with 10 per cent (15 units) to be offered as affordable housing for purchase by moderate income earners. The proposal outlines how the council and state government will improve development application processes by agreeing to targets for faster approvals of all multi-unit developments that include a mix of affordable housing, if their Housing Affordability Fund application is successful.

The shorter planning approval times and reduced developer's holding costs are expected to result in an overall saving of \$450,000 for the development. These savings must be passed on to the homebuyer, reducing the price of the affordable units by \$10,000 and other units by \$2,500. The proposed funding of \$150,000 under the Fund will contribute to a small scale infrastructure upgrade to support a higher density development. This will result in a further price reduction for the affordable housing units of another \$10,000, representing a purchase price that is \$20,000 below equivalent units in the development and similar accommodation in the area. The price reduction will be delivered by each of the developers putting in a bid to purchase the site and develop it in accordance with conditions (including the knock-down price for affordable units) imposed by the council.

*Per dwelling*

Housing Affordability Fund Investment per dwelling	\$10,000 (for affordable housing units)
Reduced developer holding costs	\$10,000 (for affordable housing units) \$2,500 (for other units)
TOTAL SAVING TO HOMEBUYER	\$20,000 (for affordable housing units) \$2,500 (for other units)

**Case 7: - Joint Development and Trial of Standard Planning Documentation and Training Programs.**

Four adjacent local councils submit a joint proposal via the state Local Government Association (LGA) for funding of \$500,000 to develop and trial new mandatory standards for local government documentation and training programs for planners. The trial will use the best practice documentation model as attested to by the LGA. The LGA agrees to be responsible for rolling out the processes and products of the trial beyond the participating local governments within a certain timeframe, using specified milestones and performance measures that major developers agree are commercially valuable.

To meet the human resource needs of the trial, local councils will contract expert staff, including planners, to ensure the processes and training programs developed produce lasting, intended results. The Housing Affordability Fund funding is sought to meet the costs of the experts who have been engaged.

The participating councils are all high growth councils where new housing supply has been held up through planning delays resulting from antiquated systems and/or lack of staff training systems that ensure corporate knowledge is not lost when staff leave. The application proposes improved benchmarks for each council and the impact on land release.

### 3. MANDATORY CRITERIA

#### Key Points

Each application for funding must meet the following minimum mandatory criteria to receive funding from the Housing Affordability Fund:

1. the proposal must comply with state, territory and local government strategic planning objectives and policies, including affordability targets (if they exist) and sequencing priorities
2. local and state governments must be able to fund any future liabilities arising from the funding or reform agreed to without reliance on the Australian Government
3. the proposal must include details of consortia or partnerships.

#### 3.1 COMPLIANCE WITH COMMONWEALTH, STATE, TERRITORY AND LOCAL GOVERNMENT REQUIREMENTS

*MANDATORY CRITERION 1:*

*The proposal must comply with state, territory and local government strategic planning objectives and policies. This may include affordability targets and sequencing priorities.*

Any proposal funded under the Housing Affordability Fund must comply with existing Commonwealth, state or territory and local government regulations. While an application may be lodged before development approval is obtained, payments to successful applicants will be based on meeting agreed milestones, with no payments being made until the approval is obtained.

To aid in the assessment by the three levels of government, each proposal will need to provide a brief description of how the project is consistent with:

- relevant Regional Strategic Plans
- any state, territory or local government affordability targets for the local government areas
- state, territory or local government requirements regarding accessibility
- planned sequencing
- Commonwealth, state, territory and local government environmental legislation and planning requirements.

## **3.2 FUTURE VIABILITY**

### *MANDATORY CRITERION 2:*

*Be able to fund future liabilities arising from the initial funding without assistance from the Commonwealth*

Funding provided under the Housing Affordability Fund does not include any funding for future maintenance or upgrades. Any proposal submitted must take into account what future costs might arise from the initial investment under the Fund, with an explanation of how these costs will be met by sources other than the Australian Government.

## **3.3 DETAILS OF CONSORTIA OR PARTNERSHIPS**

### *MANDATORY CRITERION 3:*

*Provide details of consortia and partnerships*

Where a local government, state, territory or local government authority has entered into a partnership with a private company or not-for-profit organisation, details of the partnership must be provided. This must include details of the proposed contractual arrangements and risk management processes in place to ensure the Australian Government funding is spent in accordance with conditions.

## 4. WEIGHTED CRITERIA (POINT OF COMPETITION)

### Key Points

Expressions of Interest will need to provide details of the proposal, which will be assessed on a competitive basis against a set of nationally applicable criteria (as well as having to meet the mandatory criteria described in Section 3 above).

Successful applicants will need to address every criterion, but different applications will inevitably have greater emphasis on certain criteria than others, depending on the nature of the project. These 'point of competition' criteria will be used to differentiate applications that meet all the mandatory conditions.

The following criteria are proposed:

1. value for money - measured by the size and feasibility of cost savings that will be passed on to home purchasers (by virtue of direct funding and the impact of reform)
2. adoption of leading practice models in respect of planning and/or Development Application processes, which result in a time saving for developers and a quantifiable cost saving to the home purchaser
3. savings to homebuyers will pertain to new, moderately priced homes (rather than homes at prices suitable for higher income earners)
4. the amount of any additional savings attracted from voluntary state, territory and/or local government financial contributions or in-kind assistance (eg stamp duty or rates reduction), if any
5. accessibility and environmentally sustainable outcomes (ie, eco-friendly features that are not required by law; design features that improve dwelling accessibility).

### 4.1 VALUE FOR MONEY

#### *WEIGHTED CRITERION 1:*

*Size and feasibility of cost savings that will be passed on to home purchasers*

One of the objectives of the Housing Affordability Fund is to reduce the cost of new homes by reducing infrastructure charges and planning blockages for new developments, which increase the cost to the home buyer.

To ensure this objective is met, all applications must detail how the Australian Government funding will result in a cost saving for the home purchaser. The Housing Affordability Fund provides an incentive for applicants to deliver housing affordability strategies by lowering the costs of development, resulting in savings for homebuyers.

It is expected that in the main cost savings will be in the form of an initial saving on the purchase price of the new home, although applications will be considered by those proposing future savings to the home purchaser by way of reduced recurrent costs. A future saving for the homebuyer could be a staggered over a number of years, for example through reduced rates.

Proposals will need to specify the total saving to the homebuyer that will be achieved and the number of households (ie new dwellings) to receive the benefits. The savings must be expressed as a dollar figure, but may be derived from a proportion of the dwellings' construction or operating costs, as well as the reduced holding costs. Where the savings are derived from whole-of-development savings, the applicant must detail how these are calculated per lot.

Projects must outline the mechanism by which savings will be passed on to homebuyers. In assessing applications, the effectiveness of each mechanism will be considered, including the relative likelihood of the mechanism resulting in windfall gains.

The proposal should detail what performance measures will be used to enable the Australian Government to ascertain the level of savings to the homebuyer that result directly from the funding, and a measure of the savings that result from state, territory or local government reform.

In assessing the proposals the Commonwealth will be looking for value for money from applicants as well as a specific saving per dwelling. For instance, applications that will deliver a \$5,000 saving per dwelling to 3,000 homes may represent better value for taxpayer's money than proposals that will save 1,000 homebuyers \$10,000.

## **4.2 REFORM AND LEADING PRACTICE**

### *WEIGHTED CRITERION 2:*

*Adoption of a leading practice model in respect of planning and/or Development Application processes which results in cost savings to the homebuyer*

All applications for funding must identify process reforms with respect to planning or Development Applications that will be improved if the funding is awarded, describing how and over what timeframe this improvement will occur. In addition, applications for funding may seek assistance through the Housing Affordability Fund to enhance an existing reform agenda.

A guide to improvements that could be made in many jurisdictions is a document produced by the Development Assessment Forum (DAF), *A Leading Practice Model for Development Assessment in Australia*, which seeks to guide various jurisdictions in developing efficient, effective and nationally harmonised development assessment systems.

The DAF Leading Practice Model identifies 10 leading practices, including:

1. effective policy development
2. objective rules and tests
3. built-in improvement mechanisms
4. track-based assessment
5. a single point of assessment
6. notification
7. private sector involvement
8. professional determination for most applications
9. applicant appeals
10. third-party appeals.

As a result of differing local government revenue-raising capacity, it is recognised that the capacity of local government authorities to undertake and sustain reforms without outside funding will vary considerably.

This criterion will take into account the importance of reforms undertaken being sustained beyond the duration of the funding. Sustainability of this kind could be demonstrated in a number of ways, for instance by proposed new regulations or legislation, council decision to re-prioritise existing commitments in order to support the new reform over subsequent financial years, or a new funding arrangement that is agreed between the state and the local government authority resulting from a successful application to the Fund by a local council.

Where reforms are proposed to be undertaken by a state or territory government, these should not result in an unfunded cost transfer to local government. Advice from both state and local governments during the assessment process will be used to determine if an unfunded cost transfer is likely to occur.

### **4.3 MORE AFFORDABLE HOMES**

***WEIGHTED CRITERION 3:***

*The savings to be generated will pertain to new, moderately priced homes*

Eligibility for funding is not proposed to be limited to the application of particular affordability measures, because this would limit innovation around mixed developments. However, projects that support first homebuyers or low and middle income earners seeking to re-enter the housing market will be preferred, even if these moderately priced homes are only part of the relevant development.

It is envisaged that an increase in the supply of affordable homes could be achieved by specific developments, or by reform to local planning regulations, which will result in appreciable improvements to the number of moderately priced homes to be built across an entire local government area.

It is proposed that the Fund allow for funding applications which support the development of new dwellings intended to be let immediately as affordable rental properties. Any proposal that seeks to assist the development of affordable rental properties will need to outline why funding from the Fund is necessary to ensure the development proceeds or is bought forward, and how the applicant will ensure the saving benefits the renter directly, rather than the landlord.

#### **4.4 ADDITIONAL SUPPORT**

***WEIGHTED CRITERION 4:***

*Consider additional support from state, territory or local government*

There may be a potential to increase the savings to homebuyers if additional funding or in kind support is offered from state, territory or local governments. While it is not a requirement for applicants to achieve additional savings above and beyond those generated from the Housing Affordability Fund contribution, preference will be given to those proposals that provide additional value for money. This additional level of saving to the homebuyer might be achieved by measures within governmental control that add to developer's costs (such as taxes and regulatory burdens), or by offering incentives to developers to value-add to the proposal devised by the applicant.

#### **4.5 ACCESSIBILITY AND SUSTAINABILITY**

***WEIGHTED CRITERION 5:***

*Support for sustainability outcomes*

Projects will be assessed in terms of their contribution to accessibility and sustainability outcomes above and beyond those required by law, even though this is not mandatory. Examples of sustainability may be access to transport, proximity to employment and use of building and design methods that contribute to reduced utilities expenditure, such as installing insulation which is above the minimum standard required to improve the thermal efficiency of the house at minimal additional cost to the home purchaser.

Where good design practices are proposed, applications may provide a reference to the concepts set out in the leading practice guides, *Your Home* and *Your Building*, which can be accessed via the internet at [www.yourhome.gov.au](http://www.yourhome.gov.au) and [www.yourbuilding.org](http://www.yourbuilding.org).

Preference may be given to projects that achieve greater than existing regulatory requirements in areas such as accessibility, for example the inclusion of low cost measures that would make properties more accessible to people who are ageing or live with disabilities.

## 5. ASSESSMENT PROCESS

### Key Points

- A two stage process will be undertaken:
  - Expressions of Interest will be sought with applications short listed by the Commonwealth after consideration and feedback by state, territory and relevant local governments (Stage 1).
  - the Commonwealth may call for additional information from short listed applicants before the Minister makes her final decision (Stage 2).
- Two funding rounds are scheduled for the Fund in the first financial year of operation, with future rounds to be announced at a later date.
- Applications may be submitted for developments that will take place over a number of financial years.
- A mix of projects will be sought with weightings benefiting applications that will result in permanent leading practice reform.
- A strategy for funding Electronic Development Assessment (eDA) will be implemented from 1 July 2008 via direct negotiations with state and territory governments.

### 5.1 OVERVIEW

Although not a procurement, the Housing Affordability Fund selection and assessment process will be underpinned by the Commonwealth Procurement Guidelines and Best Practice Guidance.

The Department of Families, Housing, Community Services and Indigenous Affairs will ensure that the selection of proposals for funding is conducted with integrity, assessments undertaken objectively and consistently, and necessary probity advice is sought. To assist in the assessment of applications, the Department will engage specialist technical expertise to provide advice on the applications provided.

All proposals will be submitted electronically to a secure site which will be established and maintained by the Department. Proposals sent by other means, such as hard copy or facsimile, will not be accepted.

#### 5.1.1 EXPRESSIONS OF INTEREST

A two stage process will be undertaken to assess applications for funding. Expressions of Interest will be called for in August 2008 for the first funding round, with applications required within four (4) weeks. Expressions of Interest submitted in Round 1 may include proposals that require funding in the 2008-09 financial year only, or may cover a longer timeframe and seek funding over more than one financial year.

Expressions of Interest are expected to be relatively short documents that provide an overview of the project and enough information to undertake a preliminary assessment of the proposal. Information to be included in the expressions of interest will include:

- project location
- project participants
- the calculated cost savings per dwelling and the mechanism to pass on savings to the homebuyer
- the number of lots to be covered
- sufficient information to allow the Australian Government to be assured of compliance with the mandatory criteria
- sufficient information to allow assessment against the weighted criteria.

Expressions of Interest will be referred to the relevant state or territory for consideration and provision of advice to FaHCSIA. The advice will be on the applicant's compliance with the Mandatory Criteria, particularly relating to consistency with state or territory planning.

In particular, state and territory governments will be asked to consider whether the application successfully meets their jurisdiction's legislative or planning requirements or infrastructure priorities. This process aims to:

- provide a consistent standardised process within which applications for funding can be evaluated by the Commonwealth
- allow flexibility to accommodate variations in jurisdictional policy reform and characteristics
- focus on planning reform and the concomitant delivery of cost reductions to homebuyers as a key deliverable.

States and territories will be provided three (3) weeks to undertake the initial assessment and rate applications against the selection criteria. If a response is not received within this timeframe the Department will assess the application without the state or territory response.

The advice of local governments will also be sought on Expressions of Interest submitted by their state or territory government that may impact on the local government area and on proposals for broader reform. A period of three (3) weeks will also be given to local government to consider proposals and provide a response to the state or territory government and FaHCSIA. If a response is not received within this timeframe FaHCSIA will assess the application without the local government rating.

FaHCSIA will consider the merits of all applications and assess them against the selection criteria. Consideration will be given to the advice provided by the relevant states, territories and local governments on the applications in their jurisdiction, but this will not override selection criteria or the prerogative of FaHCSIA to make recommendations that are contrary to the advice of a consultant jurisdiction.

### **5.1.2 ADDITIONAL INFORMATION**

Projects selected through the preliminary assessment will be invited to submit additional information (Stage 2). It is suggested that a period of four (4) weeks be provided for the applicant to submit a more detailed proposal.

Additional information will include:

- a fully costed proposal with a detailed explanation of the mechanism to be used to ensure savings are passed on
- a detailed timeline for completion of the project
- details of the measures that will be used to ensure savings are passed on
- more detailed information addressing the mandatory criteria
- more detailed information addressing the weighted criteria.

The Department will again provide the additional information to relevant state, territory and local governments for consideration, which will be expected to provide feedback to the Department within four (4) weeks of receipt of the additional information.

A final recommendation will be made to the Minister for Housing once the assessment process is finalised, with the final decision resting with the Minister.

### **5.1.3 FUTURE ROUNDS**

A second funding round is expected to commence in March/April 2009. Expressions of Interest will again be sought from interested parties. Expressions of Interest may seek funding for the 2009-10 financial year. The selection criteria for this round may vary from those in Round 1, depending on the experience of projects funded in the first year.

## 5.2 TIMELINE

Date	Activity
July 2008	Funding provided to progress the development of eDA national protocols
August 2008	Commencement date for Round 1 Expressions of Interest (Stage 1)
September 2008	Closing date for Round 1 Expressions of Interest
August 2008	eDA projects to receive Commonwealth funding announced
September 2008	State, territory and local governments consider Expressions of Interest and provide assessments and advice to the Department for consideration
October 2008	Department assesses Expressions of Interest taking into consideration state, territory and local government advice
October/November 2008	Department seeks additional information from applicants if required (Stage 2)
November 2008	State, territory and local governments consider and provide assessments and advice to the Department on additional information
December 2008	Department recommends which applicants should receive funding to the Commonwealth Minister for Housing
December 2008	Minister determines successful applications and makes public announcement
December 2008/January 2009	Contractual arrangements finalised
March/April 2009	Proposed commencement date for Round 2

## 5.3 SUCCESSFUL APPLICANTS

Successful applicants will be notified of the outcome of the selection process. An opportunity will be offered to each applicant for verbal feedback, which will be given once announcements of successful proposals have been made.

The Department will enter into a Funding Agreement with successful applicants, with the payments under the agreement based on agreed milestones.

## 5.4 UNSUCCESSFUL APPLICANTS

Unsuccessful applicants will also be notified of the outcome of the selection process and will be offered the opportunity for verbal feedback. Feedback will be provided to applicants against the selection criteria only and they will not be provided with information concerning other applications.

## **5.5 FEEDBACK AND COMPLAINTS MECHANISM**

Complaints will be dealt with under the FaHCSIA Complaints Management Scheme. The Complaints Management Scheme ensures that any problems an applicant has with the Department's services, decisions or policies and those of FaHCSIA funded service providers, are taken seriously and dealt with promptly.

For the Housing Affordability Fund selection process, the initial contact person is:

Manager

Housing Affordability Fund

Department of Families, Housing, Community Services and Indigenous Affairs

Athllon Drive

TUGGERANONG ACT 2900

Email address: haf@fahcsia.gov.au

If an applicant is not satisfied with the outcome of this process and the issue of complaint has not been resolved, the applicant can then contact the Department of Families, Housing, Community Services and Indigenous Affairs' Complaints Officer on 1300 653 227 who will work with the applicant to resolve the complaint or suggest further action.

If an applicant is dissatisfied at any time with the Department's handling of the complaint, they can also contact the Commonwealth Ombudsman.

More information is available at:

[www.fahcsia.gov.au/internet/facsinternet.nsf/aboutfacs/complaints\\_management.htm](http://www.fahcsia.gov.au/internet/facsinternet.nsf/aboutfacs/complaints_management.htm)

## 6. PERFORMANCE MEASUREMENT

### Key Points

- Applicants must specify how their proposal will reduce the cost of new homes, whether that be all new homes in a Local Government Area or those in a particular development, and how the savings to the home buyer will be measured.
- Proposal-specific performance measures need to be developed and described by applicants.
- Proposals that are funded will also be required to report against a range of standard performance measures.
- Suitable performance measures will need to address:
  - reductions in delays resulting from improvements to the planning system
  - the quantum of reduction in the cost of new housing
  - the mechanisms to ensure savings to developers resulting from any funding are passed on to new home buyers.

### 6.1 OVERVIEW

Performance indicators to measure Housing Affordability Fund program outcomes must reflect the requirement that savings generated from the Fund are passed on to purchasers - both savings related to a new infrastructure contribution by the Australian Government and reform of development or planning processes.

### 6.2 WHO IS RESPONSIBLE FOR MEASURING PERFORMANCE?

Funding recipients will be responsible for measuring the performance of their projects and submitting performance information to the Department.

The Department has statutory responsibility for measuring the effectiveness of the Housing Affordability Fund as a whole and is also required to report on program expenditure in line with the requirements of the *Financial Management and Accountability Act 1997*.

The Department will develop and maintain a database, which may be enhanced over time, to accommodate a range of input and output measures. These will include:

- input measures such as the value and number of contracts, agreements entered into each financial year
- a record of the number and types of projects supported for example, systemic reforms, direct infrastructure projects and development projects
- output measures such as the number of dwellings established for a given expenditure, average sale price of the dwellings constructed with the assistance of the Fund and the speed of getting dwellings to market.

### **6.3 WHAT WILL BE REQUIRED DATA?**

The Department recognises the potential business cost in expanding information and data collection processes to meet reporting and performance measurement requirements. Wherever possible, data will be sought that builds on existing state, territory and local government data collections.

It is anticipated that information sought would not exceed the information ordinarily required by successful applicants for the ongoing management of the project and that data would be captured as part of the usual contract management and reporting process.

The Fund will also seek to measure the indicators outlined in the following sections, noting that it may not be possible for every project's outcomes to be measured against all of these indicators. Also, additional project specific measures may be imposed to enable measurement against agreed contract milestones.

It is recognised that different projects may use different indicators to measure performance outcomes. It is proposed that performance measures be developed for each project so that reporting requirements can reflect the size and nature of the funding provided.

## **7. CONTRACTUAL ARRANGEMENTS**

The Department will enter into Standard FaHCSIA Long Form Funding Agreements, FaHCSIA Capital Funding Agreements or a Performance Based Funding Agreement with successful applicants.

A Funding Agreement is a performance based, legally enforceable agreement between the Commonwealth and the successful applicant that sets out the terms and conditions governing the funding to be provided. The contractual arrangements entered into will depend on the applicant, the type of work undertaken and the value of the work undertaken. Payments under the Funding Agreements will be made upon completion of agreed milestones.

States, territories, state LGAs and local governments may be contracted to deliver projects as part of the Housing Affordability Fund. Where projects under the Fund are delivered in partnership with developers or other private sector companies, states, territories, state LGAs or local governments will need to enter into subcontracting arrangements.

## 8. QUESTIONS

This Consultation Paper seeks responses to a range of questions included throughout the document. These questions have been included below for reference.

**Question 1** – The Housing Affordability Fund targets high growth areas, is this too restrictive?

**Question 2** – What type of projects should be suitable for funding and what level of savings may be generated?

**Question 3** – Are the mandatory criteria appropriate and will applicants be able to provide evidence without substantial cost burden?

**Question 4** – Are the weighted criteria appropriate and will applicants be able to respond to these without a substantial cost burden? How should the criteria be weighted?

**Question 5** – Will the funding available enable a sufficiently wide range of innovative projects to be developed?

**Question 6** – What performance measures should be used to assess the ability of the applicant to deliver savings to homebuyers?

**Question 7** – Are these timelines adequate for proposal development and assessment?

**Question 8** – Does the information requested at the first and second stages assist in keeping the costs of submitting proposals to an acceptable level?