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New AHURI study shows how best to fund affordable housing projects across Australia

- Affordable housing projects are being shaped by bespoke and constrained funding opportunities, reducing their efficiency and scalability.
- Report recommends policy makers re-focus on housing outcomes and provide subsidies that are tailored to achieving those outcomes.
- Researchers developed an interactive modelling tool, the 'Affordable Housing Assessment Tool' (AHAT), to demonstrate to policy makers and practitioners the impact of different cost and subsidy parameters on the feasibility of affordable housing projects.

Affordable housing project outcomes are being driven more by funding opportunities than by defined housing needs, new AHURI research reveals.

The research, [Paying for affordable housing in different market contexts](#), was undertaken by researchers from UNSW Sydney. It analysed six recently completed affordable housing developments across Australia. An interactive modelling tool, the 'Affordable Housing Assessment Tool' (AHAT), was developed to determine how affordable housing project costs, revenues and subsidies impacted affordability for the range of lower income households in need of affordable housing.

Funding opportunities for affordable housing include having access to government land; public and private capital and debt finance; tenant rents, including from commercial tenancies; and sales of properties to the private market. Depending on how these diverse sources of funding are combined can add complexity, cost and financial risk to delivering affordable housing.

For instance, in the absence of adequate funding, community housing providers are having to reduce the proportion of their developments dedicated to social and affordable housing in order to reduce project debt to levels that can be serviced by rents from low-income tenants.

'What we have developed for the first time is a tool that enables us to start with housing needs, then figure out which types of subsidies and policies will best be able to fund projects to meet those needs,' says Dr Laurence Troy from UNSW Sydney. 'By using this tool we also found subsidising the private sector to produce affordable housing that is available for a defined period of time is less cost effective over the longer term than directing such subsidies to not-for-profit housing providers'.

The report makes a number of policy recommendations to help affordable housing meet the needs of low-income households:

- make public land available at below-market cost to support affordable housing development;
- keep affordable housing in the not-for-profit housing sector to retain for the long term the social benefit created by public investment;

- encourage mixed tenure developments and development at scale;
- provide 'gap funding' to help reduce the need for private financing;
- use needs-based modelling for investment decisions and to drive the allocation of subsidies.

The research report is available to download from the AHURI website at:

<http://www.ahuri.edu.au/research/final-reports/293>

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