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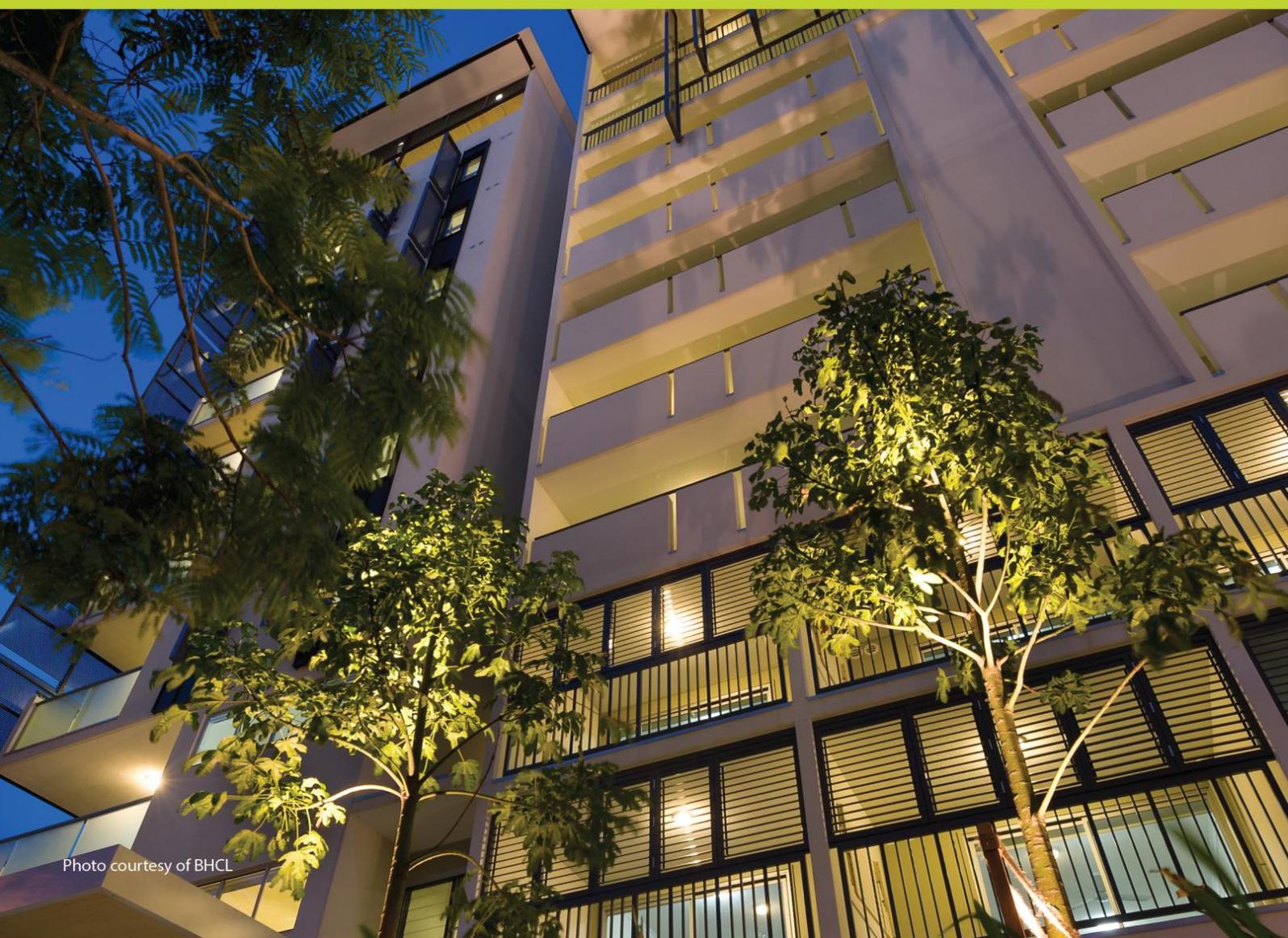


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Community Housing
INDUSTRY ASSOCIATION

Contents

Who we are	3
The problem.....	4
Summary of recommendations	5
A balanced approach	8
A 10-year National Housing Strategy	8
A new National Affordable Housing Agreement	9
Tax reform is essential to addressing housing inequality	10
Target negative gearing concessions to lift supply of affordable rental property	10
Capital gains tax	11
Stamp duty.....	11
Supply measures	12
Providing Commonwealth incentive payments to states which increase housing supply and deliver meaningful planning reforms.....	12
More ambitious supply targets from re-zoning and from redeveloping government land/public housing estates	13
Expanding access to capital for social and affordable housing	13
More choice for low income renters with a stronger community housing sector	13
Demand measures	15
Home ownership – assistance for low-moderate income home buyers.....	15
Housing assistance – for renters.....	16
Improve adequacy and effectiveness of CRA,.....	16
Improving standards and security in the private rental market.....	16
Tackling homelessness.....	17
Bibliography	18

Who we are

The Community Housing Industry Association (CHIA) is the peak industry body for the community housing sector in Australia.

CHIA is funded by its member organisations, which between them own or manage over 60,000 affordable rental properties across every state and territory in Australia. It represents the growth provider with a portfolio of 5,000 properties, the small organisation which exists solely to manage the 13 properties which it owns, as well as the organisation which provides affordable housing as an adjunct to specialist services such as mental health or disability support. CHIA is uniquely positioned to provide a truly national voice for the community housing industry.

On behalf of its members, CHIA undertakes research, policy development and advocacy around social and affordable housing issues. It leads representation of community and affordable housing issues at the national level. CHIA works with a network of state and territory peaks to improve support for members, create more opportunities for peer-to-peer networking, and continuously improve the quality of housing and other services provided to community housing tenants.

The mainstream community housing sector has doubled in size over the past decade and with over 80,000 dwellings it now represents around 18.8% of the entire social housing sector. Delivering social housing through 700 mainstream community housing providers has improved competition and choice for low income tenants. Indigenous community housing is an important part of the community housing sector and a vital part of the economy in many Indigenous communities. Some 320 Indigenous community housing organisations own or manage around 17,500 permanent dwellings across Australia, housing over 31,000 people.

Through leveraging of its own capital and via transfers of stock from public housing, the community housing sector has demonstrated its capacity to manage large scale financing arrangements and undertake significant property development. Community housing providers own or manage over \$30 billion of housing assets across the country. With the right settings, mainstream community housing will double again - or more - in the next decade.

The problem

Decent and affordable housing underpins vibrant economies, enhances productivity, and supports family well-being and cohesive communities. Housing affordability is not just a problem for individuals. It is a problem for the economy as a whole: poor housing infrastructure reduces labour mobility and productivity. Distortion of investment away from productive assets and towards excessive consumption of housing supported by higher and higher levels of household debt adds to financial and economic instability.¹

First time buyers, faced with the challenge of saving huge deposits and crowded out by investors, are being frozen out of the market. Those who do manage to buy are doing so later in life while taking on mortgage debt at historic highs relative to incomes.

But the problem of housing affordability is not just about aspiring home buyers. One in three Australians is now renting and some of them will be doing so for a very long time. Low income renters are struggling, with over half in rental stress, paying more than 30% of their income on housing costs.

The increasing polarisation in Australia between those who own property and those who are unlikely to ever be able to buy their own home is of concern in the context of Australia's rising inequality. This has longer term implications for social cohesion.

Australian cities and many regional areas are now some of the least affordable in the world.² Comparatively high housing costs by international standards make Australia an expensive place to do business. The cities which are our economy's engines of growth are also the places where housing stress is greatest.

The shortage of affordable housing for renters and aspiring home purchasers is not a new problem. In 2009, the National Housing Supply Council reported that the supply of affordable rental dwellings for low income earners fell in absolute and relative terms in the decade to 2006, despite a 20% increase in the overall supply of housing.³ The problem is that we are not building enough housing to keep pace with population growth. The shortage impacts most on lower income households. And, on the demand side, a failure to reform key taxation policies has created undesirable levels of speculation on existing properties to the detriment of aspiring home owners.

At just 4.9% of Australia's housing stock⁴, our social housing system is no longer providing a credible alternative to the private rental market for lower income earners and now has one of the lowest proportions of social housing among OECD countries. Social housing has become increasingly rationed and, while affordable private rental accommodation remains so hard to find, the waiting lists for public and community housing will continue to grow.

The problem is a straightforward one: houses cost too much to buy, too much to rent, and the new supply delivered is not enough to meet the needs of Australia's growing population. What is needed is a co-ordinated, whole-of-system effort by all levels of government to improve housing affordability for all Australians, including those on low to moderate incomes. In short, **Australia needs a National Housing Strategy.**

¹ Yates, J. *Why Does Australia Have an Affordable Housing Problem and What Can Be Done About It?* Australian Economic Review Vol 49, Issue 3, September 2016

² Demographia. *13th International Demographia Housing Affordability Survey 2017.*

³ Australian Government. National Housing Supply Council. *The State of Supply Report.* 2009

⁴ OECD, *Affordable Housing Database.* 2017. Table PH4.2 Social Rental Dwellings Stock

Summary of recommendations

1. The Commonwealth Government should develop a 10-year National Housing Strategy which:
 - sets out clear targets for overall housing supply, affordable home purchase, affordable rental housing and social housing;
 - is informed by world-class modelling of future supply and demand;
 - addresses the regulatory and other impediments to increasing housing supply;
 - commits to reform the tax incentives and duties which distort investment in Australia's housing market,
 - facilitates access to financing arrangements which will attract institutional investment to social and affordable rental housing;
 - provides for capital funding to support the expansion of social and affordable housing and the renovation of broadacre housing estates;
 - strengthens the regulatory arrangements for all social and affordable housing providers to provide greater assurance for investors and tenants; and
 - is supported by a new National Affordable Housing Agreement which links the funding provided by the Commonwealth to the state and territory governments to better housing and homelessness outcomes; and
 - is led by a Commonwealth Housing Minister who is a member of the Cabinet.

2. The Commonwealth Government should lead development of a new National Affordable Housing Agreement which commits all levels of government to real actions which will:
 - reduce the number of people who are homeless or at risk;
 - improve affordability for both renters and those seeking to buy their own home;
 - improve the quality of rental housing and the tenancy conditions which apply to those in the private rental market;
 - improve housing choice, amenity and affordability for people with disabilities, older people renting accommodation and Indigenous people;
 - provide capital funding to support the expansion of social and affordable housing and the renovation of public housing estates; and
 - more effectively regulate all social and affordable housing providers to give greater assurance to investors and tenants.

3. The Commonwealth Government should lead reform of housing-related taxes and duties to reduce speculative demand for housing, improve incentives to lift supply of affordable rental housing, and share the windfall gains from house price appreciation more fairly across the community. This includes:
 - Restricting negative gearing to newly-constructed properties unless the dwelling is provided as a sub-market rental managed by a community housing provider;

- Amending Capital Gains Tax policy settings; and
 - Replacing inefficient stamp duties on property transactions with land taxes.
4. City Deals funding agreements between the Commonwealth Government and the states should include explicit requirements to deliver increased housing supply as a core part of the infrastructure funded, as is now the case in the United Kingdom.
 5. To increase incentives for projects which deliver substantial increases in social and affordable housing supply the Commonwealth Government should consider:
 - providing financing support, loans or guarantees to state and territory governments which meet supply targets; and
 - concessional taxation arrangements for such projects (at least through the construction phase).
 6. All levels of government should commit to more ambitious social and affordable housing dividends from planning reforms, including a 30% dividend from redeveloped government land and 15% dividend from other large scale developments and re-zoning.
 7. The Commonwealth Government should engage other levels of government on implementing planning reforms which will ensure that at least 10% of the 1.5 million dwellings to be built over the next decade are affordable, whether for rental or home purchase
 8. The Commonwealth Government should establish an Affordable Housing Capital Fund to deliver 150,000 social and affordable dwelling units over the next decade to restore social housing to 6.5% of all dwellings, as it was in 2001.
 9. The Commonwealth Government should provide funding for a financial aggregator which can attract institutional investment in social and affordable housing, modelled on the UK Housing Finance Corporation.
 10. The Commonwealth Government should negotiate a national program to transfer title for 50% of public housing stock to community housing providers by 2027.
 11. The Commonwealth Government should negotiate with state and territory governments to establish a single national regulator for all social and affordable housing providers to replace the existing suite of state-based regulation of community housing.
 12. The Commonwealth Government should work with the states to develop programs to help bridge the gap between renting and home purchase.
 13. The Commonwealth government should provide \$11 million over 4 years to fund a National Industry Development Plan to build the capability of the community housing sector to take it to the next level, including:
 - New National Community Housing Standards to drive quality as a complement to the regulatory framework;
 - Improving the capacity of mainstream community housing organisations to engage with tenants with special needs, including those with disabilities, and to deliver culturally appropriate services to tenants from culturally and linguistically diverse backgrounds, including Indigenous Australians.
 - A single web portal through which tenants can locate community housing vacancies, both general and disability-specific;

- Support to establish a National Community Housing Training Institute;
 - An advisory panel on which community housing organisations can draw on to obtain advice about business-model innovations corporate structures, financing strategies, risk management and business development.
 - Building governance capacity and organisational scale in Indigenous community housing organisations;
 - Establish a mentoring program in conjunction with the Australian Institute of Company Directors to build excellence in Boards of smaller and mid-tier organisations;
 - Governance, financial management and service improvement strategies in 300 smaller community housing organisations which must be in place before they can meet regulatory requirements.
 - Improvement in management information to support benchmarking and evaluation designed to drive continuous improvement strategies across the sector.
14. The Commonwealth Government should increase the maximum rate of Commonwealth Rent Assistance by 30% and index CRA by movements in national rents, rather than by movements in the Consumer Price Index
15. The Commonwealth Government should work with the state and territory governments to develop national standards for rental tenancies.

A balanced approach

Australia must act on both the demand for and supply of housing if it is to fix the problem of housing affordability. Rising house prices not only impact on home buyers, but also drive higher rental costs as diminished affordability forces more people into the rental market for longer. One of the biggest drivers of both demand and supply is Australia's collection of housing-related taxations and duties. A balanced approach must include reform of taxation and duties which distort the housing market.

A 10-year National Housing Strategy

Australia lacks a co-ordinated, national strategy to tackle the challenge of housing affordability. It is the Commonwealth government which has the central responsibility to lead policy in matters of national significance such as this, notwithstanding that many of the levers around planning and land administration lie with the states and territories.

The establishment of the Affordable Housing Working Group and the introduction of the City Deals program are excellent examples of Commonwealth leadership around housing affordability which is needed. The Commonwealth should drive reforms of land administration systems and reform of the taxation policies (of all levels of government) which are currently diverting investment to unproductive housing assets. It is undeniable that this is now an issue of major national significance.

The National Affordable Housing Agreement (NAHA) which began in 2009 aspired to provide a framework for the Commonwealth and state governments to work together to improve housing outcomes for all Australians, particularly those in the bottom 60% of household incomes. The NAHA promised to improve affordability for both renters and home buyers by using all available levers to increase overall housing supply. Sadly, in many Australian towns and cities housing affordability continues to worsen. The NAHA has failed to unite the Commonwealth and state governments in the joint effort which is required to resolve the planning, land development and regulatory constraints on housing supply.

Nor has the NAHA ensured that Australia's stock of social housing dwellings is increasing in line with our population growth. As a result, the social housing sector now makes up just 4.9% of all dwellings.⁵ Public housing supply has fallen by 16,000 in eight years and 20% of public housing stock has three or more major structural problems or lacks functioning facilities for washing, sewerage, or storing/preparing food.⁶ The only part of the social housing sector which is growing is community housing, both mainstream and Indigenous.

What is needed now is a 10-year National Housing Strategy which addresses the problems faced by both buyers and renters and which creates the conditions for expanding Australia's social and affordable housing system - currently among the smallest in the OECD. The Strategy should unite the efforts of all levels of government to tackle housing affordability from both demand and supply ends.

A National Housing Strategy should contain clear targets for overall housing supply, for the supply of homes which are affordable to buy, and to rent. Further, it needs a commitment to restore Australia's social housing sector to 6.5% of all housing, as it was in 2001.⁷ This would require 150,000 dwellings added to Australia's social housing portfolio in the near term.

The Strategy needs to be underpinned by world-class modelling of future housing supply and demand which will enable investors and governments to plan ahead and ensure that housing and

⁵ OECD, *Affordable Housing Database*. 2017. Table PH4-2 Social Rental Dwellings Stock

⁶ Productivity Commission. *Report on Government Services, 2017*. Table 18A.36

⁷ OECD, *Affordable Housing Database*. 2017. Table PH4-2 Social Rental Dwellings Stock

related infrastructure is able to keep pace with population growth and demographic shifts. Given the long lead times involved in delivering housing and the necessary transport and other infrastructure to support it, better forecasting of housing supply and demand is critical to an effective housing strategy.

Two other pillars of a National Housing Strategy are a stronger regulatory system for social and affordable housing and access to capital funding from which to expand the stock of social housing.

We recommend the Commonwealth develop a 10-year National Housing Strategy which:

- sets out clear targets for overall housing supply, affordable home purchase, affordable rental housing and social housing;
- is informed by world-class modelling of future supply and demand;
- addresses the regulatory and other impediments to increasing housing supply;
- commits to reform the tax incentives and duties which distort investment in Australia's housing market,
- facilitates access to financing arrangements which will attract institutional investment to social and affordable rental housing;
- provides for capital funding to support the expansion of social and affordable housing and the renovation of broadacre housing estates;
- strengthens the regulatory arrangements for all social and affordable housing providers to provide greater assurance for investors and tenants;
- is supported by a new National Affordable Housing Agreement which links the funding provided by the Commonwealth to state and territory governments to better housing and homelessness outcomes; and
- is led by a Commonwealth Housing Minister who is a member of the Cabinet.

A new National Affordable Housing Agreement

Under the National Affordable Housing Agreement (NAHA), the Commonwealth provides \$1.3 billion a year to the states and territories towards the cost of housing and homelessness services. However, neither housing affordability nor homelessness has improved since this Agreement was signed in 2009. Two areas in which the NAHA has achieved gains are the improvement in housing outcomes for Indigenous Australians in remote areas and the expansion of the community housing sector which has expanded by 102% since 2009.

To support the National 10-year Housing Strategy, a new National Affordable Housing Agreement is needed which more explicitly links the funding provided by the Commonwealth to better housing and homelessness outcomes.

The Commonwealth government should lead development of a new National Affordable Housing Agreement which commits all levels of government to real actions which will deliver better housing and homelessness outcomes, including:

- reducing the number of people who are homeless or at risk;
- improving affordability for both renters and those seeking to buy their own home;

- improving the quality of rental housing and the tenancy conditions which apply to those in the private rental market;
- improving housing choice, amenity and affordability for people with disabilities, older people renting accommodation and Indigenous people;
- provides capital funding to support the expansion of social and affordable housing and the renovation of broadacre public housing estates; and
- more effective regulatory arrangements of social and affordable housing providers to provide greater assurance for investors and tenants.

Tax reform is essential to addressing housing inequality

In terms of personal wealth Australians are among the most affluent in the world, but almost all this wealth is locked up in housing, rather than productive assets.⁸ This is driven partly by Australia's current tax policy settings, which have been instrumental in shifting housing from being seen as shelter for people to the idea that housing is a shelter for wealth. Housing-related expenditure by the Commonwealth government exceeds \$75 billion a year, but over 90% of that expenditure is delivered through capital gains tax and negative gearing concessions to property owners (both investors and home owners) whose personal wealth is steadily appreciating. The growing gap between those who own property and those who will never do so has the potential to undermine social cohesion.

We believe the time is opportune for the Commonwealth Government to comprehensively review its suite of housing assistance measures with a view to rebalancing expenditure towards increasing the supply of affordable rental housing, including expansion of the social housing sector. Reform of housing-related taxes and duties to reduce speculative demand for housing would help to bring home ownership within reach of more young Australians. It would also enable the windfall gains from house price appreciation to be shared more fairly across the community.

Target negative gearing concessions to lift supply of affordable rental property

The combination of negative gearing and the 50% discount on capital gains tax has driven investment in residential real estate to record highs, buttressed by strong economic fundamentals for over two decades and, more recently, by record low interest rates. These two strategies deliver most benefit to taxpayers on the highest marginal tax rates, drive property prices higher and crowd out aspiring home buyers in most capital cities. Investment which might otherwise be directed towards increasing supply of affordable rental accommodation for lower income households is instead diverted to higher priced investment properties to maximise both negative gearing benefits and capital gain.

Because most investors purchase established, rather than new-built, housing, negative gearing has not increased the overall supply of housing even with its very generous tax concessions. While removing negative gearing from residential property investment would have a negligible impact on the overall supply of housing,⁹ limiting negative gearing to new construction could stimulate some additional housing supply response. In parallel, enabling property rented at below-market rents to be negatively geared where the property is managed by a registered community housing

⁸ Credit-Suisse Research Institute. *Global Wealth Report, 2016*.

⁹ Wood, D and Daley, J *Three myths on negative gearing the housing industry wants you to believe*, in *The Conversation*, 17 February 2016, point out that more than 93% of property lending is for existing housing.

organisation could modestly lift the supply of affordable rental housing. This would extend the application of the Australian Tax Office class ruling obtained by HomeGround Real Estate which currently enables the value of a sub-market rental to be negatively geared in certain circumstances.¹⁰

Capital gains tax

The vast bulk of Commonwealth expenditures on housing assistance is directed to home-owners, with the capital gains tax exemption on owner-occupied housing costing taxpayers \$61 billion in 2015-16. The 50% capital gains tax concession provided to investors in rental property in 2015-16 cost a further \$9.6 billion.¹¹ The value of taxation concessions to property owners dwarfs the \$4.4 billion spent in 2015-16 on helping low income renting households through Commonwealth Rent Assistance and the \$1.34 billion of Commonwealth funding to state and territory governments under the National Affordable Housing Agreement.¹²

There is a range of sensible reforms which could be made to Capital Gains Tax to reduce the bias in the taxation system towards property as a wealth creation vehicle and address the growing inequality between those who have acquired property wealth and those who are unlikely to be able to ever buy their own home. These range from removing the exemption from Capital Gains Tax now enjoyed by owner-occupiers, aligning the capital gains discount at 50% for both home owners and investors, reducing the existing CGT discount from 50% to 25% for property investors, or removing the 50% CGT discount where property is re-sold or ownership transferred within five years of purchase. (This latter proposal removes the over-compensation enjoyed by investors under the current 50% capital gains discount.) Proposals such as these would reduce the incentive for speculative investments in rising house markets which currently serves to drive prices higher, and also ensure that profits obtained from selling into rising markets are shared more fairly between property owners and the wider community.

Stamp duty

Stamp duty is one of Australia's least efficient taxes and distorts the housing market.¹³ Stamp duties impact unfairly on people who move house more often because they pay duty each time they buy, which especially impacts on young people. By discouraging people from changing their place of residence as their personal circumstances change, stamp duties lead to inefficient use of housing stock. The stamp duty on an average house of \$1 million in Sydney is over \$40,000. Providing stamp duty exemptions for first home buyers could potentially assist some people to enter home ownership. Exemptions could also encourage empty nesters to downsize their housing.¹⁴

It should be noted that removing stamp duty alone would run the risk of increasing prices given the corresponding boost it would give to buyer purchasing power. A more comprehensive approach

¹⁰ See <http://www.homegroundrealestate.com.au/news/ato-ruling-information/> accessed 2 February 2017

¹¹ The Treasury. *2016 Tax Expenditures Statement*. Table 1.1 p9. Includes the value of exempting home owners from capital gains tax (\$34 billion) and the value of the 50% capital gains tax discount (\$27.5 billion). Negative gearing is not calculated as a tax expenditure, but has been variously estimated at between \$0 and \$5 billion. See Dale, T. *Budget impacts of negative gearing*, in Parliamentary Library Flagpost Blog at www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/FlagPost/2015/August/Budget-impact-negative-gearing

¹² The Treasury. *Budget 2016-17*. Budget Paper No. 3, Table 2.8

¹³ The Treasury. *Working Paper 2015-1: Understanding the Economy-wide Efficiency and Incidence of Major Australian Taxes*. 2015

¹⁴ *CHCWA Submission on the ERA Draft Report on Micro-economic Reform*, May 2014.

would replace stamp duty on house purchases with land tax. As well as reducing the upfront costs of buying a home, this would increase the incentives for developers who are land-banking to bring housing developments to market more quickly. Land tax would also deliver a more even flow of revenue to state governments without the volatility associated with stamp duties. The ACT Government is in the fifth year of a 20-year phase out of stamp duties. While rates on a \$500,000 property have increased from around \$2,200 a year in 2012 to \$3,000 in 2016, over the same time the stamp duty on a home worth \$500,000 has fallen by more than five times that amount, from \$18,050 to \$13,460.¹⁵ Land tax implementation would need to make provision for asset-rich but low-income households to avoid adverse impacts on this group, for example, by allowing deferral of land tax until the property changed hands.

Supply measures

Increasing the supply of new homes in line with population growth is a fundamental to supporting Australia's social well-being and economic progress. However, despite record supply levels in Australia in recent years, prices and rents have continued to rise in many of Australia's housing markets. Australia's shortfall of affordable housing supply is estimated at over 500,000 rental dwellings that are both affordable and available to the lowest income households.¹⁶ The progressive decline in the amount of public housing has rendered it ineffectual as a provider of last resort housing to the most vulnerable in the community. Many of the 200,000 people on the waiting list will never be accommodated in public housing.

We must increase both the overall level of housing supply, the supply of homes for purchase and rent which are affordable to households on low to moderate incomes, and the supply of social housing. The cost of the supply measures set out below can be offset by savings generated by reforming housing-related taxation settings.

Providing Commonwealth incentive payments to states which increase housing supply and deliver meaningful planning reforms

Approvals for dwelling construction have been running at record high levels, but long lead times mean that projections that housing supply would increase at a rate significantly above population growth have failed to materialise. In normal times, housing projects are released in stages to ensure development project financing is managed prudently but also to avoid swamping the market and lowering prices. However, a rising market increases the likelihood that the rewards of land banking will outweigh the developer costs of holding land assets.

In addition to a land tax which would shift the balance of incentives to hold undeveloped land, there are other ways to encourage reform of planning systems, make it easier to get housing approvals and speed housing delivery. A recommended first step is to place explicit requirements in City Deals funding agreements between the Commonwealth and the states to increase housing supply as a core part of the infrastructure to be delivered (as now applies in the United Kingdom). We also recommend the Government consider other options such as providing financing support, loans or guarantees to state and territory governments for projects which deliver substantial increases in social and affordable housing supply. Concessional taxation arrangements for such projects (at least through the construction phase) could also be considered.

¹⁵ Daley, J., Coates, B. *Following the ACT Land Tax approach boosts growth and state budgets* Grattan Institute, www.grattan.edu.au accessed 23 February 2017

¹⁶ National Housing Supply Council (2013): *State of Supply Report 2012*.

More ambitious supply targets from re-zoning and from redeveloping government land/public housing estates

Government decisions to re-zone land or build new infrastructure can facilitate increased housing supply but can also place pressure on overall housing affordability. This can have profound effects on the availability of affordable housing for those on low to moderate incomes who are priced out of areas that are upgraded or gentrified. There are good arguments for requiring an affordable housing dividend from urban development to ensure that the wider benefits of development or infrastructure flow to the lower income members of the community. Social dividends from planning and infrastructure investment are usually negotiated in exchange for a planning gain or uplift in zoning value for the developer. To date the success of these strategies has been variable, and the affordable housing dividend sought has generally been quite low. We urge all levels of government to commit to more ambitious social dividends from planning reforms, including a 30% social and affordable dividend from redevelopment of government land and a 15% dividend from other large scale developments.

We recommend the Commonwealth Government engage other levels of governments on planning reforms to ensure that at least 10% of the 1.5 million dwellings to be built over the next decade are affordable, whether for affordable rental or purchase.

Expanding access to capital for social and affordable housing

A long-term commitment is needed to provide capital funding to increase the supply of social and affordable housing. As the recent Report on Government Services 2017 shows, the supply of social housing has increased by only 21,400 since 2007 and all that growth has occurred in the community housing sector. Without the injection of Commonwealth funding under the Nation Building and Jobs Plan, the entire social housing sector would have grown by less than 3,000.¹⁷ Ideally, a functioning National Affordable Housing Agreement with appropriate funding would have delivered at least 100,000 more affordable rental dwellings to ease the pressure on low income renters. An additional 60,000 dwellings were needed just to keep social housing in line with Australia's population growth of 14.8% over the past decade.¹⁸ The current levels of investment in social and affordable housing are simply inadequate.

We recommend the Commonwealth Government establish an Affordable Housing Capital Fund which will deliver 150,000 social and affordable dwelling units over the next decade, with the aim of restoring social housing to 6.5% of Australia's dwellings as it was in 2001. This should be done in conjunction with Commonwealth funding for a financial aggregator which can attract institutional investment in social and affordable housing.

More choice for low income renters with a stronger community housing sector

The mainstream community housing sector has doubled in size over the past decade and now represents around 18.8% of the social housing sector. This has improved competition and choice for low income tenants. Through leveraging of its own capital and via transfers of stock from public housing, the community housing sector has shown it can manage large scale financing arrangements and undertake significant property development in partnership with the private sector. Community housing providers now own or manage over \$30 billion of housing assets across the country. With the right settings, community housing will double again - or more - in the next decade.

¹⁷ The Nation Building and Jobs response to the Global Financial Crisis included \$5.2 billion to build 19,200 social housing dwellings. http://www.formerministers.dss.gov.au/2093/eco_stimulus_stage_two_1sep09/

¹⁸ Australian Bureau of Statistics. 3101.1 *Demographic Statistics*, June 2016 and June 2007

There is mounting evidence that community housing is a sustainable social housing model that lowers the direct cost to Government of providing affordable housing to low income households through leverage.¹⁹ A recent study revealed that holding 1,000 properties in the public sector would result in a \$30 million deficit after 30 years, whereas transferring the same number of properties to community housing would deliver a \$40 million surplus over the same period, which could be reinvested to produce additional social housing.²⁰ Independent modelling in South Australia and New South Wales has estimated the community housing sector's capacity to leverage growth as between 5% and 20% depending on the policy settings, and access to competitive financing and land.²¹

A multi-provider model of delivering social and affordable housing will drive innovation and quality housing for low and moderate income households. Implementation of a financial intermediary would enable social and affordable housing providers to borrow funds at a competitive price in order to build more rental housing for low income people. We recommend that the Commonwealth Government provide funding for a financial aggregator which can attract institutional investment in social and affordable housing, modelled on the UK Housing Finance Corporation

In the short to medium term, governments will need to contribute to the yield gap to support borrowings if the sector is to expand, since community housing providers' capacity to borrow is constrained by modest rental cash flows from low income households. This support may include capital grants, financing subsidies, and contribution of land for redevelopment and tax concessions for example.

A national program which aimed to transfer ownership of 50% of public housing stock to community housing providers by 2027 would accelerate the development of a diverse and flexible array of housing providers operating at scale. We recommend that the Commonwealth Government negotiate with the state and territory governments to achieve this goal. This would enhance the sector's ability to attract institutional investors, and expand access to comprehensive housing services which support employment and other non-housing outcomes for tenants.

Good regulation drives industry capability, as the Not for Profit & Charities Commission is showing through the work it is doing to de-register non-compliant organisations and to promote best practice in governance across the not for profit sector. Since Ministers agreed in 2011 to set up a national regulatory scheme for community housing, governments have made some progress towards this aim but as yet the regulatory scheme does not properly support greater institutional investment. The fragmented application of the regulatory code by eight separate state and territory registrars is not adequate to build confidence in the regulated sector. Strong prudential supervision is essential to build the reputation of the sector, provide a solid basis for actuaries to calculate risk and drive down the cost of finance. The Commonwealth Government should negotiate with the state and territory governments to replace the existing suite of state-based regulation of community housing with a stronger, single national regulator for all social and affordable housing providers. This will improve the confidence of prospective financiers, governments and tenants in the quality of management and security of housing assets.

¹⁹ Deloitte Access Economics. Increasing affordable housing through the Victorian Community Housing Sector. Melbourne. Community Housing Federation of Victoria. 2011

²⁰ Pawson, H., Martin, C., Flanagan, K. and Phillips, R. Recent housing transfer experience in Australia: implications for affordable housing industry development. Inquiry into affordable housing industry capacity. Melbourne. AHURI. 2016. p 50-55

²¹ Sphere Company. Maximising growth potential of housing providers through title transfer. Adelaide: Community Housing Council of South Australia. 2013

An industry development strategy which underpins the successful expansion of the sector requires investment in workforce training and skills development of front-line workers and support for Boards of management charged with managing significant asset portfolios.

The Commonwealth Government should provide \$11 million over 4 years to fund a National Industry Development Plan to build the capability for the sector to take it to the next level, including:

- New National Community Housing Standards to drive service quality as a complement to the regulatory framework;
- Improving the capacity of mainstream community housing organisations to engage with tenants with special needs, including those with disabilities, and to deliver culturally appropriate services to tenants from culturally and linguistically diverse backgrounds, including Indigenous Australians.
- A single web portal through which tenants can locate community housing vacancies, both general and disability-specific;
- Support to establish a National Community Housing Training Institute;
- An advisory panel on which community housing organisations can draw on to obtain advice about business-model innovations corporate structures, financing strategies, risk management and business development.
- Building governance capacity and organisational scale in Indigenous community housing organisations;
- A mentoring program in conjunction with the Australian institute of Company Directors to build excellence in Boards of management of smaller and mid-tier organisations.
- Governance, financial management and service improvement strategies in 300 smaller community housing organisations which must be in place before they can meet regulatory requirements.
- Improvement in management information to support benchmarking and evaluation designed to drive continuous improvement strategies across the sector.

Demand measures

Strategies to increase the supply of housing and reform the taxation system must be complemented by demand-side measures if we are to improve housing affordability for both aspiring home purchasers and renters.

Home ownership – assistance for low-moderate income home buyers

House prices are rising far faster than incomes in Australia's two largest cities. Over the seven years from 2009 to 2016, Sydney housing prices have risen by 74%, with Melbourne housing prices up by 52%.²² House prices in some other cities have fallen in real terms over the same period, but in many places rental costs have continued to rise faster than inflation. Together with an increasingly insecure labour market and erosion of full-time jobs, it is difficult for aspiring young homeowners to

²² Moody's Investor Service, cited in *The Australian* 20 January 2017

save the deposit for home purchase. The home ownership rate among young adults fell from 58% in 1986 to 45% in 2010.²³

There is a range of programs in place to help people enter home ownership, including stamp duty concessions and first home purchase grants. However, the continuing decline in home ownership rates among young people suggests that they are missing the mark. New policies are needed to help people bridge the deposit gap and enter home ownership, and to help households build equity. We recommend the Commonwealth Government work with the states and territories for develop programs such as rent-to-buy and shared equity home purchase programs targeted at renters with solid rental histories who are at present unable to bridge the gap between renting and home purchase.

Housing assistance – for renters

IMPROVE ADEQUACY AND EFFECTIVENESS OF CRA,

Commonwealth Rent Assistance is intended to improve housing affordability for people renting accommodation. Around 1.36 million ‘income units’ receive an average payment of \$3,251 in Commonwealth Rent Assistance a year at a cost of around \$4.4 billion a year. Rates of rent assistance have not kept pace with rents and as a result two in every five renters receiving CRA are still in rental stress after receiving the payment. In 2016, 79% of CRA recipients received the maximum amount of payment, compared to a decade ago when only 66% of CRA recipients were paid maximum CRA.²⁴

There are two groups of renting households who are particularly vulnerable to rental stress. Over 190,000 private renters receiving CRA are aged 70 or more. Very few in this group are able to supplement their incomes through employment to meet rising rental costs and 27% are left paying more than 30% of their income in rent even after receiving CRA.

For young people renting, 56% are in housing stress even after receiving CRA.²⁵ A Newstart recipient in community housing with rent set at 25% of income plus the maximum CRA of \$65 a week could currently afford to pay just \$131 pw in rent before entering housing stress. Unless the adequacy of CRA or the underlying income support payment is improved, it will not be viable for community housing organisations to continue to rent to people receiving Newstart and Youth Allowance without additional assistance.

The Commonwealth Government should increase the maximum rate of Commonwealth Rent Assistance by 30% and index the payment by movements in national rents, rather than by movements in the Consumer Price Index.

IMPROVING STANDARDS AND SECURITY IN THE PRIVATE RENTAL MARKET

A recent survey of over 1,000 renters revealed that revealed that many tenants live in accommodation that needs repair or fails to meet community standards. The survey also found that 83% of tenants had a lease of less than 12 months, or had no fixed term lease at all. Once periodic leases end, the tenancy can be terminated by the landlord with 3 months’ notice without any reason. Half of all renters (51%) have moved homes three times or more, including 19% of those who have been renting for less than five years.²⁶ The frequent moves impose additional costs on tenants, disrupt children’s connection with school and undermine community cohesion. We ask the

²³ Yates, J. Explaining Australia’s trends in Home Ownership, *Housing Finance International*, Winter 2011

²⁴ Productivity Commission *Report on Government Services*. 2017 and 2007.

²⁵ Productivity Commission *Report on Government Services*. 2017, Table GA.27

²⁶ Choice. *Unsettled: Life in Australia’s Rental Market* 2017

Commonwealth to work with the state and territory governments to develop national standards for rental tenancies.

Tackling homelessness

A lack of adequate and affordable housing contributes to housing stress and homelessness. It is detrimental to people's physical and mental health, reducing life expectancy by 15-20 years. There are strong connections between young people's experiences of homelessness, the child protection system and youth justice. Investment in effective housing and homelessness programs can reduce the burden on health and justice services at the same time as they lift people's education and employment outcomes.

During 2015-16, 279,000 people sought help from specialist homelessness services - up 9% from the previous year.²⁷ Of these, around 60% of clients identified housing affordability and financial difficulties as the reason they sought help.

Many households on the social housing waitlist are either homeless or are at risk of becoming homeless. There is a growing body of national and international evidence that 'housing led' solutions to homelessness save governments money in the long run. For example, a recent report from the Australian Housing and Urban Research Institute into the health service use of 3,383 public housing tenants who were formerly homeless identified health system cost savings of \$4,846 per person in a single year, a 19.5% decrease in the proportion of people accessing an emergency department and a 57.8% decrease in the proportion of people accessing psychiatric care after being securely housed.²⁸

Sustained and adequate funding for services to homelessness is essential to achieving long-term outcomes for people who are homeless or at risk. However, additional funding to services can only be effective **if there is a substantial increase in the supply of affordable housing available to those on the lowest incomes.**

²⁷ Australian Institute of Health and Welfare, *Specialist homelessness services 2015–16, 2016*, <http://www.aihw.gov.au/homelessness/specialist-homelessness-services-2015-16/>.

²⁸ Wood, L., Flatau, P., Zaretsky, K., Foster, S., Vallesi, S. and Miscenko, D. (2016) *What are the health, social and economic benefits of providing public housing and support to formerly homeless people?*, AHURI Final Report No. 265

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