



**Community Housing**  
INDUSTRY ASSOCIATION

## 2018-19 Commonwealth Budget Pre-Budget Submission



## 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. Our members range from large providers with portfolios of 5,000-plus properties, through to small organisations with around 10 properties, as well as organisations that supply affordable housing as an adjunct to their specialist services, such as mental health or disability support.

CHIA is uniquely positioned to provide a truly national voice for the community housing industry.

CHIA leads representation of community and affordable housing issues at the national level. It undertakes research, policy development and advocacy around social and affordable housing issues. Working with a network of state and territory community housing peak bodies, CHIA supports member organisations to improve the quality of housing and other services for community housing tenants.

With 82,900 mainstream community housing homes and a further 15,500 dwellings operated by Indigenous community housing organisations, the sector owns or manages over \$30 billion in residential real estate, from which it generates over \$700m a year in rental income.

The community housing sector has doubled in size over the past decade and now represents 19 per cent of the entire social housing sector. Through leveraging of its own capital, and via transfers of stock from public housing, the community housing sector has demonstrated its capacity to undertake significant property development.

Delivering social housing through community housing organisations improves 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 Aboriginal and Torres Strait Islander communities.

## 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 increasing household debt adds to financial and economic instability. The widening gap between those who own property and those who are unlikely to ever be able to buy their own home also has longer-term implications for social cohesion.<sup>1</sup>

First time buyers, faced with the challenge of saving huge deposits and crowded out by investors, are being frozen out of the market. Rising house prices also drive higher rental costs as diminished affordability forces more people into the rental market for longer.

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 per cent of their income on housing costs.

Our social housing system no longer provides a credible alternative to the private rental market for lower income earners and Australia now has one of the lowest proportions of social housing in the OECD. Social housing has become increasingly rationed and the waiting lists for public and community housing are long.

The problem is a straightforward one: houses cost too much to buy, too much to rent, and new supply is not meeting the needs of Australia's growing population – especially those on low incomes.

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.

**The Community Housing Industry Association calls on the Government to develop a National Housing Strategy and make a long-term commitment to improving housing affordability.**

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<sup>1</sup> 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

## Recommendations

The Commonwealth should:

1. Develop a 10-year National Housing Strategy.
2. Reform taxation policy to encourage affordable housing supply, reduce the incentive for speculative investments which drive prices higher, and ensure profits from selling into rising markets are shared more fairly between property owners and the wider community:
  - a. remove the Capital Gains Tax exemption now enjoyed by owner-occupiers and progressively reduce the CGT discount on residential property from 50 per cent to 25 per cent, and 15 per cent where properties are re-sold or transferred within 5 years of acquisition;
  - b. limit negative gearing to new construction to stimulate new housing supply
  - c. extend the Australian Tax Office class ruling obtained by HomeGround Real Estate, which enables the value of a sub-market rental to be negatively geared where the property is managed by a registered housing organisation.<sup>2</sup>
3. Increase overall housing supply
  - a. engage other levels of governments on planning reforms to ensure that at least 10 per cent of the 2 million dwellings to be built over the next decade are affordable, whether for affordable rental or purchase.
  - b. ensure City Deals funding is only provided for infrastructure projects where increasing housing supply is a core deliverable (as in the United Kingdom)
  - c. establish an Affordable Housing Capital Fund to support delivery of 100,000 social and 100,000 affordable dwelling units over the next decade, including 20,000 dwellings earmarked for older renters.
4. Foster the expansion of the community housing industry to deliver more choice for low income renters
  - a. facilitate borrowings by community housing organisations to increase affordable housing supply by providing a further subsidy to fill the gap between rental income and financing costs
  - b. negotiate with the state and territory governments to transfer ownership of 50 per cent of public housing stock to community housing organisations by 2027
  - c. replace the existing suite of state-based regulation of community housing with a single national regulator for all social and affordable housing providers
  - d. fund an \$11 million National Industry Development Plan to build the capability of the community housing sector over the next four years

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<sup>2</sup> See [homegroundrealestate.com.au/news/ato-ruling-information/](http://homegroundrealestate.com.au/news/ato-ruling-information/) accessed 12 February 2018

5. Improve the adequacy and targeting of Commonwealth Rent Assistance.
6. Support older renters by establishing:
  - a. a capital fund to support the delivery of 20,000 dwellings for older renters over the next decade, and
  - b. an 'age in place' upgrade fund to renovate older community housing stock.
7. Improve housing outcomes for Indigenous Australians by:
  - a. providing capital funding to increase the supply of social housing to improve rental options for Aboriginal and Torres Strait Islander tenants on low to moderate incomes in remote and non-remote areas, and
  - b. reviewing the effectiveness of programs aimed at raising home ownership rates among Indigenous Australians.

## A 10-year National Housing Strategy

Australia needs a 10-year National Housing Strategy to tackle the demand and supply drivers of housing affordability in a coordinated way across all levels of government.

It is the Commonwealth Government that 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 National Housing Finance and Investment Corporation, the Bond Aggregator, and the City Deals program are excellent examples of Commonwealth leadership around housing affordability. However, in the absence of a coherent, co-ordinated National Housing Strategy, it is unlikely that these measures will have the enduring impact, at scale, which is required.

A National Housing Strategy should contain clear targets for overall housing supply, and for homes that are affordable to buy and to rent. Further, it needs a commitment to restore Australia's social housing sector to 6.5 per cent of all housing, as it was in 2001.<sup>3</sup>

It is vital that Australia's stock of social housing dwellings keeps pace with population growth to provide a safety valve for the private rental market and real choice for low income tenants.<sup>4</sup> Yet, over the past four years, the combined expenditure of the Commonwealth, states and territories on social and affordable housing has actually fallen by \$303.33m in real terms.<sup>5</sup>

- annual Commonwealth expenditure to the states has fallen by \$135.6m (7.36%) in real terms since 2012-13, and
- annual state and territory outlays on social housing fell by 3.1% (\$167.7m) to \$5.236 billion between 2012-13 and 2016-17 in real terms.<sup>6</sup>

**Recommendation:** The Commonwealth develop a 10-year National Housing Strategy which:

- sets 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 of tax incentives and duties that distort investment in Australia's housing market;
- provides capital funding to increase supply of social and affordable housing and renovate broadacre housing estates;
- strengthens regulatory arrangements for all social housing providers to give greater assurance to investors and tenants; and

<sup>3</sup> OECD, *Affordable Housing Database*. 2017. Table PH4-2 Social Rental Dwellings Stock

<sup>4</sup> OECD, *Affordable Housing Database*. 2017. Table PH4-2 Social Rental Dwellings Stock

<sup>5</sup> Report on Government Services 2018. Table GA.1

<sup>6</sup> Productivity Commission. *Report on Government Services, 2018*. Table 18A.36

- is led by a Commonwealth Housing Minister with Cabinet status.

### 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.<sup>7</sup> Australia's current tax policy settings have been instrumental in distorting the objective of housing as being shelter for people, to the pursuit of housing as a shelter for wealth.

Housing-related expenditure by the Commonwealth Government tops \$80 billion a year, but 90 per cent of this 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 never will has the potential to undermine social cohesion and amplify intergenerational inequality.

The combination of negative gearing and the 50 per cent 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 low interest rates.

Because most investors purchase established rather than newly-built housing, negative gearing has not increased the overall supply of housing.<sup>8</sup> The 2017 Budget measure that limited depreciation allowances on established properties will hopefully encourage property investors to invest in new construction.

More needs to be done. A more purposeful and targeted negative gearing provision could increase overall housing supply and increase the supply of affordable rental housing. It is time for the Commonwealth Government to comprehensively review its suite of housing assistance measures to rebalance expenditures towards increasing the supply of affordable housing, including the expansion of the social housing sector.

Reform of housing-related taxes and duties would help bring home ownership within the reach of more young Australians. It would also enable the windfall gains from house price appreciation to be shared more fairly across the community.

**Recommendation:** The Commonwealth reform taxation policy to encourage affordable housing supply, reduce the incentive for speculative investments, and ensure profits from selling into rising markets are shared more fairly between property owners and the wider community.

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<sup>7</sup> Credit-Suisse Research Institute. *Global Wealth Report, 2016*.

## Capital Gains Tax

The vast bulk of Commonwealth expenditure on housing assistance is directed to home-owners; in 2016-17, the capital gains tax exemption on owner-occupied housing cost taxpayers \$74 billion—and the 50 per cent capital gains tax concession provided to individual investors and trusts cost an additional \$10.3 billion.<sup>9</sup>

The value of these concessions to property owners dwarfs the \$4.53 billion the Commonwealth spent in 2016-17 on helping low income renting households through Commonwealth Rent Assistance and \$1.36 billion of funding to state and territory governments under the National Affordable Housing Agreement.<sup>10</sup>

There is a range of sensible reforms that could be made to Capital Gains Tax to reduce the bias in the taxation system towards property as Australia's preferred wealth creation vehicle. By redirecting investment into more productive assets, these reforms would support sustainable economic growth and raise living standards.

Reforms to CGT would also address the growing inequality between those who have acquired property wealth and those who are unlikely to ever be able to afford to buy their own home. The savings generated could be redirected to increase the supply of social and affordable rental housing.

Aligning the CGT discount at 50 per cent for both owner-occupiers and investors in residential property would discourage households from over-investing in their home as a wealth shelter. It would also share the windfall gains from property appreciation across the wider community.

Progressively reducing the CGT exemption on residential property to 25 per cent would encourage investment in more productive classes of assets. The existing 50 per cent CGT discount over-compensates property owners who re-sell or transfer ownership within a short period of time. This could be addressed by reducing the CGT discount to 15 per cent where a residential property is sold or ownership transferred within five years of acquisition.

**Recommendation:** Reform Capital Gains Tax by removing the CGT exemption for owner-occupiers and progressively reducing the CGT discount from 50 per cent to 25 per cent, and 15 per cent for residential properties which are re-sold within five years of purchase.

## Target negative gearing concessions to lift supply of affordable rental property

The combination of negative gearing and the 50 per cent discount on capital gains tax deliver most benefit to taxpayers on the highest marginal tax rates, drive property prices

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<sup>9</sup> The Treasury. *2016 Tax Expenditures Statement*. Table 1.1 p9. The value of exempting home owners from CGT (\$34 billion), the value of the 50% CGT discount (\$27.5 billion). Negative gearing is not reported as a tax expenditure, but is estimated at between \$0 and \$5 billion. See Dale, T. *Budget impacts of negative gearing*, in Parliamentary Library Flagpost Blog

[www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/FlagPost/2015/August/Budget-impact-negative-gearing](http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/FlagPost/2015/August/Budget-impact-negative-gearing)

<sup>10</sup> The Treasury. Budget 2017-18. *Budget Paper No. 3*, Table 2.8; Department of Social Services. *Portfolio Budget Statements Budget Related Paper 1.15A*. Page 48

higher and crowd out aspiring home buyers in most capital cities. Investment that 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 gains.

Because most investors purchase established housing rather than new-builds, negative gearing has not increased the overall supply of housing.<sup>11</sup> The 2017 Budget measure which limited depreciation allowances on established properties will hopefully encourage property investors to invest in new construction. A more purposeful and targeted negative gearing provision could increase overall housing supply and the supply of affordable rental housing.

### **Recommendations:**

Limit negative gearing to new construction to stimulate new housing supply.

Extend the Australian Tax Office class ruling obtained by HomeGround Real Estate that enables the value of a sub-market rental to be negatively geared where the property is managed by a registered housing organisation.

### **Increase overall housing supply**

Despite record supply levels in Australia in recent years, prices and rents have continued to rise in many of Australia's housing markets. It is estimated Australia has a 500,000 plus shortfall of affordable housing supply — rental dwellings that are both affordable and available to the lowest income households.<sup>12</sup>

The progressive decline in the amount of public housing over the past two decades 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 the overall level of housing supply; the supply of homes for purchase and rent that 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 that increase housing supply and deliver meaningful planning reforms**

In normal times, housing projects are released in stages to ensure development project financing is managed prudently and to avoid swamping the market and lowering prices. However, a rising market increases the likelihood that the rewards a developer can gain

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<sup>11</sup> Wood, D and Daley, J *Three myths on negative gearing the housing industry wants you to believe*, in The Conversation, 17 February 2016.

<sup>12</sup> National Housing Supply Council (2013): *State of Supply Report 2012*.

from land banking will outweigh their holding costs. Delays in obtaining development approvals and in delivering infrastructure also drive up land costs.

The City Deals program is ideally placed to create incentives for state and territory governments to reform planning systems and ensure that supply of affordable housing is delivered as a fundamental part of urban infrastructure investment. However, at present City Deals have no explicit requirements to increase the supply of affordable housing.

**Recommendation:** City Deals funding agreements include explicit requirements to increase housing supply as a core part of the infrastructure to be delivered (as now applies in the United Kingdom).

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

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. However, to date the success of these strategies has been variable, and the affordable housing dividend sought has generally been quite low (if any).

We urge all levels of government to commit to more ambitious social dividends from planning reforms, including a 30 per cent social and affordable dividend from redevelopment of government land and a 15 per cent dividend from other large-scale developments. This will require Commonwealth leadership.

**Recommendation:** Engage other levels of governments on planning reforms to ensure that at least 10 per cent of the 2 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 of capital funding to increase the supply of social and affordable housing is needed to repair a decade of neglect. Over the ten years from 2008 to 2017, Australia's population rose by 15.1 per cent (3.23 million). Over the same period, the supply of social housing increased by 7.2 per cent (29,067) dwellings.<sup>13</sup> Governments' own estimates are that an additional 6,000 dwellings are needed each year just to maintain the proportion of social housing at its *current* level

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<sup>13</sup> Productivity Commission. Report on Government Services 2009 (Tables, 16A.1, 14, 25 and 37), and Report on Government Services 2018 (Table GA2).

of 4.3 per cent of all housing stock as Australia’s population grows. The cost of this ‘standing still’ strategy is \$2.1 billion per annum.<sup>14</sup>

**Recommendation:** Establish an Affordable Housing Capital Fund to support delivery of 100,000 social and 100,000 affordable dwelling units over the next decade, including 20,000 dwellings earmarked for older renters

### 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 19 per cent of the social housing sector and 4 per cent of all rental housing stock. 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.

In New South Wales alone, community housing organisations will deliver over half a billion of new housing in the next three years. Community housing organisations 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.

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.<sup>15</sup> 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.<sup>16</sup>

Independent modelling in South Australia and New South Wales has estimated the community housing sector’s capacity to leverage growth at between 5 and 20 per cent, depending on the policy settings, and access to competitive financing and land.<sup>17</sup> The establishment of a Bond Aggregator to raise money in the wholesale bond market to on-lend to community housing organisations is a very welcome initiative but, on its own, it will not be sufficient to resolve housing affordability for those on the lowest incomes.

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<sup>14</sup> Council on Federal Financial Relations. Affordable Housing Working Group Report to Heads of Treasuries. Supporting the Implementation of an Affordable Housing Bond Aggregator. 2017

<sup>15</sup> Deloitte Access Economics. Increasing affordable housing through the Victorian Community Housing Sector. Melbourne. Community Housing Federation of Victoria. 2011

<sup>16</sup> 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

<sup>17</sup> Sphere Company. Maximising growth potential of housing providers through title transfer. Adelaide: Community Housing Council of South Australia. 2013

At the heart of the matter is the unavoidable fact that housing people on low to moderate incomes requires a government subsidy to bridge the gap between rents and operating costs.

As the Commonwealth Government's Affordable Housing Working Group points out, this gap will be around \$8,850 a year for a household reliant on income support.<sup>18</sup> The government should contribute to this funding gap in the short to medium term if the sector is to expand, since community housing organisations' capacity to borrow is constrained by modest rental cash flows from low income households. This government support may include capital grants, financing subsidies, contribution of land for redevelopment, and tax concessions.

**Recommendations:**

- a. To support the introduction of the bond aggregator and facilitate borrowings by community housing organisations to increase affordable housing supply, the Government should provide a further subsidy to fill the funding gap.
- b. Introduce a national program aimed at transferring ownership of 50 per cent of public housing stock to community housing organisations by 2027 to accelerate the development of a diverse and flexible array of housing organisations operating at scale. This would improve choice for tenants and enhance the sector's ability to attract institutional investment.
- c. The Commonwealth Government negotiate with the state and territory governments to transfer ownership of 50 per cent of public housing stock to community housing organisations by 2027, as part of the NHHA.

Good regulation drives industry capability and improves the confidence of investors, governments and tenants in the quality of management and security of housing assets. 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. 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.

- d. The Government should negotiate with the state and territory governments to replace the existing suite of state-based regulation of community housing with a single national regulator for all social and affordable housing providers.

An industry development strategy to underpin the successful expansion of community housing will ensure that this important sector is well placed to drive the expansion of affordable housing supply and provide real choice to low income tenants. Over the past decade, high-performing community housing organisations have responded to opportunities by ensuring that they are operating under the expert guidance of skilled boards of management, but this is not the case across the sector. There are many smaller community housing organisations that would benefit from investment in workforce training and skills development for front-line workers, and support for boards of management.

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<sup>18</sup> *ibid* Page 12

Across the sector, investment is needed to harness the potential of technology to deliver online and real-time services to tenants and make better use of data to drive performance. The investment required for industry development is modest in comparison to the significant asset portfolios under management across the sector.

- e. The Government should provide \$11 million over four years to fund a National Industry Development Plan to build the sector's capability 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 technology uptake program
  - support to establish a National Community Housing Training Institute
  - 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 so they can meet regulatory requirements
  - improvement in management information to support benchmarking and evaluation 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.

### Improve the adequacy and effectiveness of Commonwealth Rent Assistance

Commonwealth Rent Assistance (CRA) is intended to improve housing affordability for people renting accommodation. Around 1.34 million 'income units' receive an average payment of \$3,274 in Rent Assistance 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

RA are still in rental stress after receiving the payment. In 2016, 79 per cent of RA recipients received the maximum payment amount, compared 66 per cent a decade ago.<sup>19</sup>

Between 2012 and 2016, the number of households in Australia grew by 7.8 per cent, but the number of low income renting households grew much faster (9.9 per cent), as 122,414 extra low-income households joined the rental market.<sup>20</sup>

Even after receiving RA, 58 per cent of young renters are in housing stress.<sup>21</sup> A Newstart recipient in community housing with rent set at 25 per cent of income, plus the maximum RA of \$66.50 a week, could currently afford to pay just \$147 in weekly rent before entering housing stress.

Unless the adequacy of RA 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. This will further diminish the limited housing options available for this group.

For those in private rental, the situation is worse: in 2015-16, there were 998,102 low income households renting privately across Australia, of which 52.9 per cent were in rental stress. This includes 60 per cent of private renters in WA and 52.5 per cent of private renters in NSW.<sup>22</sup> Over half the low-income renters in Sydney, Melbourne and Perth were in rental stress in 2015-16.

**Recommendation:** Improve the adequacy and targeting of Commonwealth Rent Assistance.

### Older renters

The three big issues facing older renters are affordability, unstable tenure and the need for home modifications.<sup>23</sup> Extreme frugality and self-deprivation are common experiences for older people in the private rental market.<sup>24</sup>

The 190,000 private renters aged 70 or more who are receiving Commonwealth Rent Assistance are particularly vulnerable to rental stress. Very few in this group have non-pension income or employment to help meet rising rental costs and 27 per cent are left paying more than 30 per cent of their income in rent, even after receiving Rent Assistance.

<sup>19</sup> Productivity Commission *Report on Government Services*. 2018 and 2007.

<sup>20</sup> Report On Government Services 2018, Table 2A.23 and GA.2

<sup>21</sup> Productivity Commission *Report on Government Services*. 2018, Table GA.13

<sup>22</sup> Report On Government Services 2018, Table GA.3

<sup>23</sup> Australia. Parliament. Senate Economics References Committee. *Out of Reach? The Australian housing affordability challenge*. 2015

<sup>24</sup> Morris, A. *The Australian Dream: Housing Experiences of Older Australians* 2017 p62, 69

Across Australia, less than 2 per cent of available rental properties are affordable for single age pensioners and only around 4 per cent of available rental properties were affordable for couples on the age pension.<sup>25</sup> Single pensioner households are facing severely unaffordable rents and older single women are most likely to be experiencing financial hardship and housing insecurity. In some metropolitan areas, renting a one-bedroom apartment would take 60 per cent or more of a pensioner's income.<sup>26</sup>

There is opportunity to meet the increasing demand for affordable rental accommodation among older Australians by redeveloping existing social housing properties into smaller homes suitable for older single people. However, this is not an option in areas that lack social housing stock available to be redeveloped. Additional investment in social and affordable housing for older tenants is required, particularly in regional Australia which has a shortage of suitable rental stock for older people, especially single tenants.

**Recommendation:** Establish a capital fund to support the delivery of 20,000 dwellings for older renters over the next decade.

The absence of accessible, functional housing that allows people to age in place can have costly consequences for those individuals, their families and for government. A significant challenge is retrofitting existing rental stock to meet the needs of older tenants with limited mobility or low vision. These dwellings also need to be safe workplaces for carers to prevent tenants losing access to in-home care services. The cost of bringing aged social housing stock up to an appropriate standard to enable tenants to age in place can be significant.

**Recommendation:** Establish an 'age in place' upgrade fund to renovate older social housing stock.

### Aboriginal and Torres Strait Islander Households

Ensuring that Aboriginal and Torres Strait Islander Australians have access to safe, secure, and affordable housing is essential if we are to close the gap on health, education, employment and other life outcomes.

Aboriginal and Torres Strait Islander households are half as likely to own, or be buying, their own homes as non-Indigenous Australians, and are twice as likely to be renting.<sup>27</sup> One in five Aboriginal and Torres Strait Islander households live in social housing, compared to just 3.6 per cent of non-Indigenous households.<sup>28</sup> Aboriginal and Torres Strait Islander Australians are disproportionately at risk of homelessness and much more likely to experience family violence than non-Indigenous people.

Poor housing outcomes are not just a problem in remote communities but are an issue for many of the 80 per cent of Aboriginal and Torres Strait Islander Australians who live in

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<sup>25</sup> Anglicare Australia. Anglicare Australia Rental Affordability Snapshot. 2017

<sup>26</sup> SGS Economics and Planning. Rental Affordability Index. 2017

<sup>27</sup> Department of Families, Housing, Community Services and Indigenous Affairs. Indigenous Home Ownership Issues Paper. 2013

<sup>28</sup> Productivity Commission. Overcoming Indigenous Disadvantage, 2016. Page 9.25

urban and regional centres. Aboriginal and Torres Strait Islander households experience almost three times the level of overcrowding of non-Indigenous households.<sup>29</sup>

Overcrowding is a problem for 8.3 per cent of Aboriginal and Torres Strait Islander households in public housing and 6.4 per cent in community housing.<sup>30</sup> Almost 20,000 Aboriginal and Torres Strait Islander households in urban areas and 6,500 households in rural areas need at least one more bedroom.<sup>31</sup>

**Recommendation:** Provide capital funding to increase the supply of social housing to improve rental options for Aboriginal and Torres Strait Islander tenants on low to moderate incomes in remote and non-remote areas.

Home ownership can provide security of tenure and help Aboriginal and Torres Strait Islander Australians take control of their own futures. It can also enable them to share the wealth creation opportunities enjoyed by other Australians who have benefited from strong housing markets over the past two decades. Aboriginal and Torres Strait Islander Australians continue to be locked out of home ownership – just 12.2 per cent own their homes outright, 25.9 per cent have a mortgage and 32.4 per cent are renting privately.<sup>32</sup>

Not all Aboriginal and Torres Strait Islander people aspire to home ownership and not all who do so will be able to achieve it. Barriers include high unemployment, lower household incomes, limited access to finance, and lack of information about financial options. Even so, there will be opportunities to help more Aboriginal and Torres Strait Islander households move into home ownership, particularly in regional areas.

**Recommendation:** Review the effectiveness of programs aimed at raising home ownership rates among Indigenous Australians.

### Tackling homelessness

A lack of adequate and affordable housing contributes to housing stress and homelessness, erodes people's physical and mental health, and cuts life expectancy by 15-20 years. There are strong connections between young people's experiences of homelessness and the child protection and youth justice systems. 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.

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<sup>29</sup> Biddle, N. and Markham F. Census 2016: What's changed for indigenous Australians? The Conversation 28 June 2017.

<sup>30</sup> Productivity Commission. Report on Government Services, 2018. Table GA.29

<sup>31</sup> Australian Bureau of Statistics. 2071.0 Reflecting Australia: Stories From the Census, 2016 - Aboriginal and Torres Strait Islander Population. Table 7

<sup>32</sup> Stone, W et al., Home ownership remains strong in Australia but it masks other problems: Census 2016. The Conversation 27 June 2017. The Productivity Commission's report Overcoming Indigenous Disadvantage 2016 states 27.4% of Indigenous Australians (not households) owned or were buying their home in 2002.

During 2016-17, 288,000 people sought help from specialist homelessness services — up 3.2 per cent from the previous year.<sup>33</sup> Of these, around 62 per cent of clients identified housing affordability and financial stress 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 identified health system cost savings of \$4,846 per person in a single year, a 19.5 per cent drop in people accessing an emergency department and a 57.8 per cent decrease in the proportion of people accessing psychiatric care after being securely housed.<sup>34</sup>

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.

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<sup>33</sup> Australian Institute of Health and Welfare, *Specialist homelessness services 2016-17, 2017*, <http://www.aihw.gov.au/homelessness/specialist-homelessness-services-2016-17>.

<sup>34</sup> 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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