

## **Australian Housing – A Fair Share?**

### **National Shelter Policy Platform 2007**

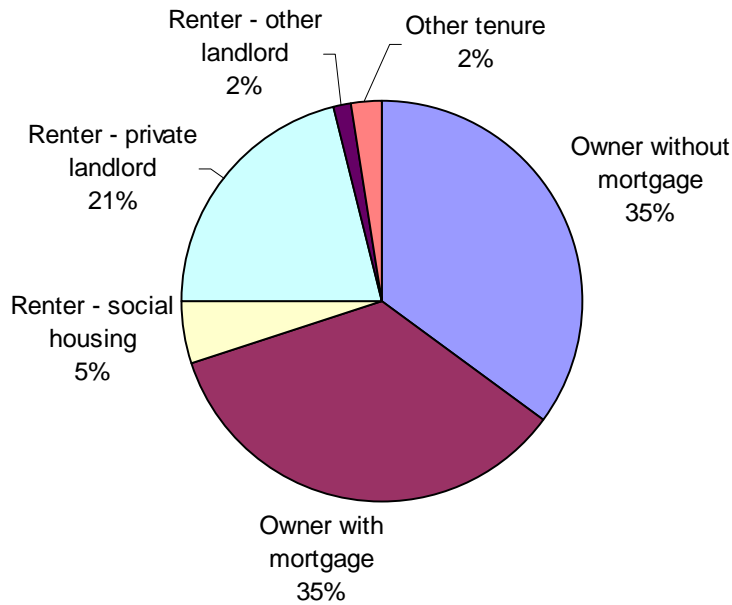
#### **Introduction**

The Australian housing system works well for most Australians. The majority of households are housed in good quality housing which is affordable for them. However, an increasing number of households suffer from housing stress or are homeless. Australia needs all three levels of government to cooperate in righting this inequity. This policy platform outlines a series of initiatives to preserve the positives of the Australian housing system and make sure that those who are homeless or in housing stress get access to the benefits the rest of our community enjoys.

#### **How Australians are Housed**

The majority of Australian households aspire to own their own home, and approximately 70% of Australia's 7.7 million households either own or are purchasing their home. This aspiration for home ownership is supported by a range of tax advantages and by direct government support programs. By contrast, private rental housing, which houses just over 20% of households, has always been seen as a temporary form of housing for Australian households, with tenancy legislation geared towards short-term leases and short notice periods for termination of tenancies or changes in tenancy conditions. Social housing (housing owned and managed by government or non-profit organisations, rented to low income tenants at subsidised rents), provides housing to about 5% of Australian households, mainly those on very low incomes or suffering high levels of disadvantage.

Figure 1: Housing tenure of Australian households



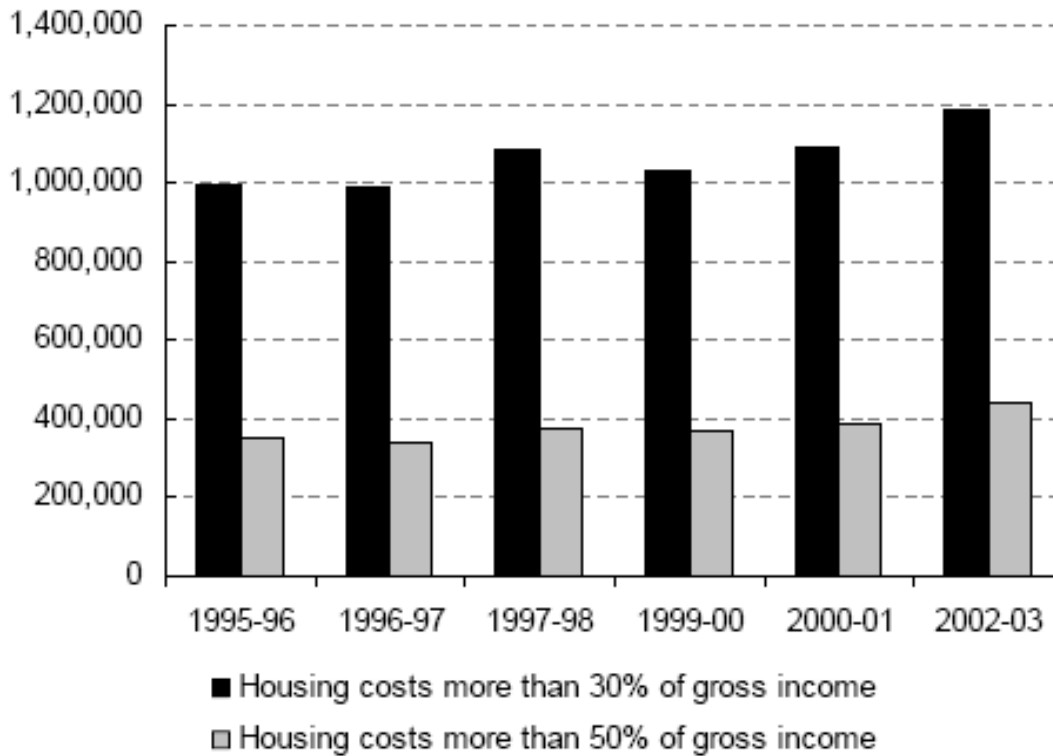
Source: ABS.<sup>1</sup>

Housing plays many important roles in Australian society:

- It is a vital part of the national economy and important generator of employment
- It is an important generator of household wealth for ordinary Australians, whose home is often their main asset
- It is home, providing a place of shelter, a location in a neighbourhood and community, and a place to belong.

However, despite the consistent economic and employment growth of the past decade, there is still a substantial minority of Australians who miss out on good quality, affordable housing. Almost 1.2 million households are in “housing stress”, defined as having to pay over 30% of their income in housing costs, and over 400,000 are in “extreme housing stress”, paying over 50% of their income on housing.

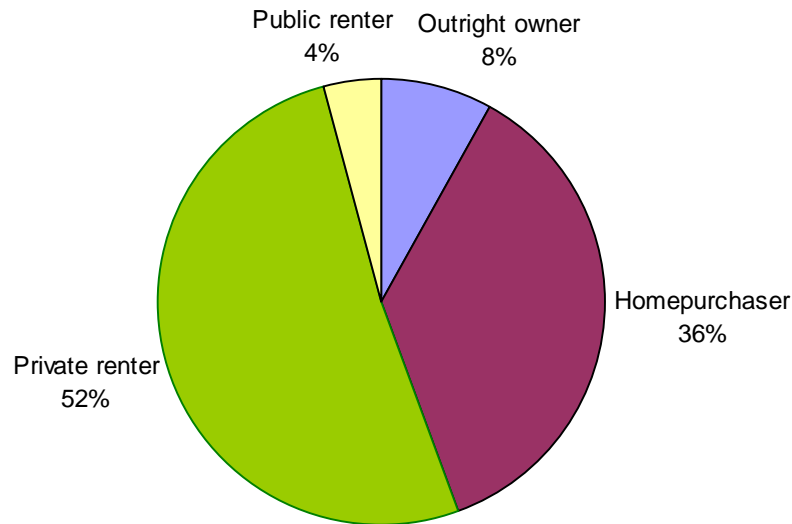
Figure 2: Number of households in housing stress



Source: Yates and Gabriel.<sup>2</sup>

The majority of these households (52%) are in the private rental market, and another 36% are in the process of purchasing their own home. Both groups are extremely vulnerable to increasing housing costs as a result of rising rents and increases in interest rates. Small percentages of public tenants and outright owners are also in housing stress. While people in these tenures generally have more affordable housing, some outright owners can be “asset rich and income poor”, so that even basic costs such as rates and maintenance push them into housing stress. Social housing tenants can find themselves in housing stress as the result of factors like the need to repay past debts, or variations in their income leading to discrepancies in their rent levels.

Figure 3: Tenure of low-moderate income households in housing stress



Source: Yates and Gabriel.<sup>3</sup>

In addition to these 1.2 million households, the 2001 census found that just under 100,000 persons were homeless on census night<sup>4</sup>. These households represent the ultimate failure of our housing system to meet the needs of disadvantaged households.

Governments in Australia, national, State/Territory and local, play a prominent role in the housing market. Governments intervene in the housing market in a number of ways:

- Through the tax system, with owner occupied housing exempt from capital gains tax and negative gearing provisions applying differently to rental housing than to other investments
- Through the social security system, with over 940,000 households receiving rent assistance<sup>5</sup>
- Through the direct construction and management of social housing, accounting for 5% of the total Australian housing market
- Through a range of regulatory processes, including urban planning, building regulations, and tenancy law, which affect the housing market in various ways.

The Commonwealth government alone spends approximately \$4 billion per year on direct housing assistance to households (including Commonwealth Rent Assistance, First Home Owners Grant and capital grants under the Commonwealth State/Territory

Housing Agreement) and forgoes over \$20 billion through tax concessions to owner-occupiers and investors in rental housing<sup>6</sup>.

This policy platform sets out a set of policies aimed at ensuring that these resources are spent in the best way possible, and that those who are homeless or in housing stress are able to get access to the benefits the rest of our community enjoys.

### **What National Shelter Stands For**

National Shelter is the national peak housing body advocating on behalf of low income housing consumers. Our vision is that all Australians, including those on low incomes, will have access to housing which is

- Affordable, so that no low income household will have to pay more than 30% of its income on housing
- Adequate, meeting minimum standards for space, safety and physical condition
- Secure, so that households who adhere to basic occupancy conditions (such as those set out in tenancy legislation) don't have to leave unless they choose to do so
- Appropriate, meeting particular needs at different stages of the lifecycle, and meeting the need for disability access
- Well located, with access to employment, services and transport networks
- Sustainable, both for them as individuals and for the environment<sup>7</sup>.

These benefits should be available to Australian households irrespective of tenure, whether they own their own home, are renting from State/Territory government or from a non-profit housing provider, or renting in the private market.

### **National Shelter's Vision for Australian Housing**

The following policies aim to steer the Australian housing system towards a fairer deal for people on low incomes, while retaining the aspects that make it work well for the majority of Australians. Many of these measures are also being advocated by other players in the housing system, and in particular by the National Housing Alliance, of which National Shelter is an active member.

#### ***Government Responsibilities***

Responsibility for housing policy is currently divided amongst a number of different ministries and departments. At the national level, these include Treasury, the Department of Families, Community Services and Indigenous Affairs, Centrelink, and the Department of Local Government. This position is mirrored at State/Territory government level, and local governments also play significant roles in the housing system.

The result of this distribution of responsibilities is that there is no overall policy position on housing issues, and different departments often pull in different directions. The distribution of responsibilities amongst levels of government looks something like this.

	<b>Commonwealth</b>	<b>State/Territory</b>	<b>Local</b>
<b>Tax and finance</b>	Major taxation responsibility including income tax and GST.	Responsible for some taxes including land tax and stamp duty	Property rates
<b>Housing assistance</b>	Direct delivery of Commonwealth Rent Assistance and First Home Owners Grant.  Funding of social housing.	Responsible for funding and direct delivery of social housing, and home lending schemes aimed at low to moderate income households.	Some local governments are direct social housing providers.
<b>Planning and land development</b>	Minimal role.	Responsible for planning legislation, policies and regional planning processes.	Responsible for local planning schemes and development control.
<b>Regulation</b>	Regulate the financial system via the Reserve Bank, and responsible for companies legislation.	Responsible for a range of housing-related legislation including tenancy law, regulation of the Real Estate industry and regulation of associations.	Responsible for some forms of regulation such as licensing boarding houses and caravan parks.
<b>Human service delivery</b>	Jointly fund a range of programs in homelessness, disability, health and aged care.	Fund and administer the majority of human services programs, as well as directly providing many services.	Some local governments are direct providers in areas such as aged care, disability and youth support.

Many of these responsibilities are determined by the Australian Constitution and it is not suggested that there be a major redistribution. However, lack of coordination hampers the ability of governments to respond adequately to the level of housing stress in our society. The following proposals are aimed at improving coordination and ensuring that all levels of government work together to reduce homelessness and housing stress.

*National Shelter proposes*

- A new senior Minister for Housing, Urban and Regional Development, with cabinet status

- A new Ministerial Council for Housing, Urban and Regional Development under the COAG (Council of Australian Governments) system, incorporating the current Ministerial Councils for Housing, Local Government and Planning and including local government representation
- A National Housing Strategy addressing the overall direction of housing policy in Australia, and aiming at concrete reductions in the level of homelessness and housing stress over a five year period.

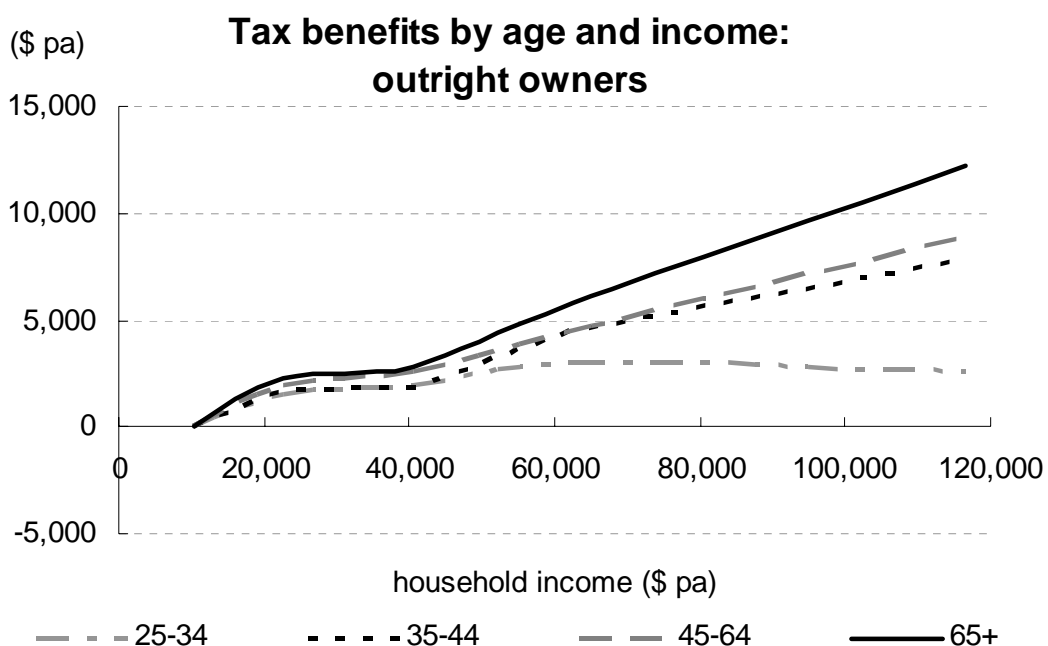
The rest of this document outlines a set of policy directions which should be included in the National Housing Strategy, and addressed jointly by the Commonwealth, State/Territory and local governments through the Ministerial Council.

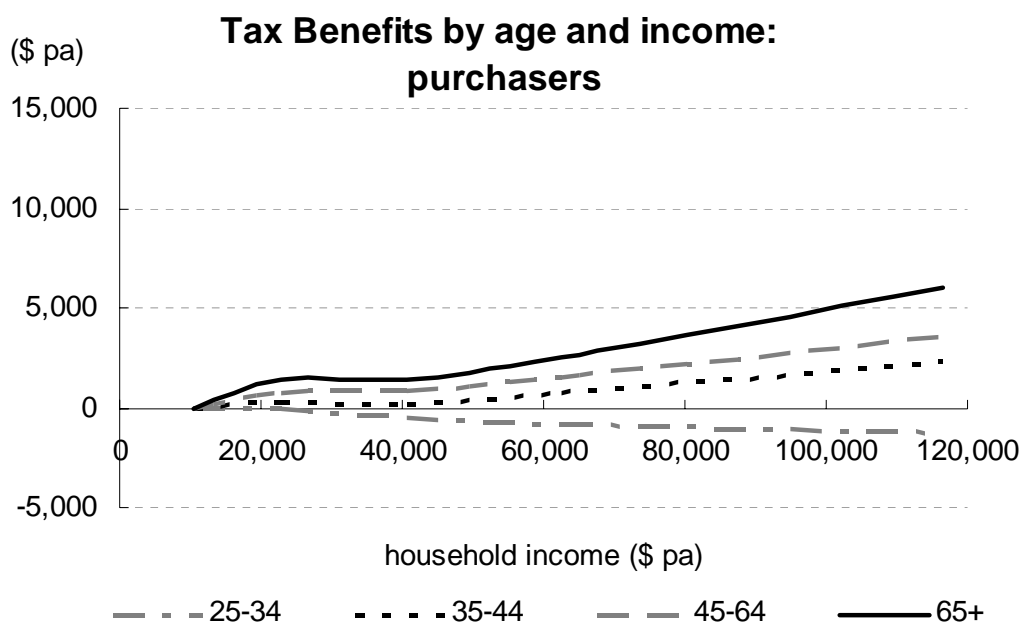
### ***Tax and Finance***

The Australian tax system plays a huge role in the housing market, with a range of tax subsidies built into the system to encourage home ownership and investment in rental housing. Unfortunately, many of these measures exacerbate the inequities in our housing system, providing greater subsidies to those who are better off, providing greatest benefit to home owners at the end of their housing career when they are under the least financial pressure, and encouraging investment in the high end of the housing market while efforts to attract private investment into affordable housing have had limited success.

Analysis by Prof Judith Yates from the Australian Housing and Urban Research Institute shows that the benefits of these tax exemptions provide greater benefits to those who are older, own their homes outright, and own higher value homes.

Figure 4: Tax benefits to Home Owners and Purchasers





Source: Yates<sup>8</sup>

Shelter does not seek to reduce the tax benefits available to owner-occupiers. However, we believe that equity considerations demand that this situation be balanced up, so that low income renters can get access to a similar level of benefit.

Over the past decade or more, a number of proposals have been developed which would make private sector investment in affordable housing attractive. These include the proposals for introduction of a National Affordable Housing Bond and a tax credit scheme developed by the National Affordable Housing Consortium, and more recently the National Affordable Housing Incentive Scheme (NARIS) developed by the National Affordable Housing Summit. These schemes all propose systems for modest subsidy or tax incentives to attract investment, particularly from institutional investors such as superannuation funds, into affordable rental housing.

*National Shelter proposes*

- A full review of the impact of the tax system on housing affordability, aimed at developing reforms which will improve access to housing by low income households. This review should examine a range of options including
  - tapering negative gearing for higher value properties to provide greater incentive to invest in more affordable housing
  - increasing the Capital Gains Tax exemption rate for affordable rental housing
  - introducing a tax credit system for investment in affordable rental housing

- The development of financing and investment strategies at a national level which can attract institutional investment into affordable housing, with options including the creation of a national housing bond, the introduction of tax credits to finance affordable housing, and the introduction of a National Affordable Rental Incentive Scheme.

### *Housing Assistance*

Australia has three main ways of providing direct assistance to housing consumers.

- The First Home Owners Grant is provided through Commonwealth Treasury to any household purchasing its first home, irrespective of income or price
- Commonwealth Rent Assistance is provided through Centrelink to eligible low income households renting in the private market, to assist with rent payments
- A range of social housing programs are provided jointly by the Commonwealth and State/Territory governments, Indigenous community organisations and other non-profit organisations, providing housing at subsidised rental to eligible low income households.

Many Australian households receive valued assistance through these programs. However, the way they are designed and the level of funding allocated to them is not enough to eliminate housing stress.

Indigenous communities, both urban and remote, bear the brunt of housing disadvantage, with low levels of home ownership and high levels of homelessness and overcrowding. Indigenous people are heavily ‘over-represented’ as clients of homelessness services, comprising 16% of the total number of clients but less than 2% of the overall Australian population<sup>9</sup>. Almost 15% of Indigenous households across Australia live in overcrowded housing, including almost 42% of those in Indigenous-managed community housing and over 15% of those in State/Territory government-managed housing<sup>10</sup>.

### *National Shelter proposes*

- That Commonwealth and State/Territory governments implement a comprehensive National Indigenous Housing Strategy which incorporates strategies to increase Indigenous home ownership, reduce overcrowding and provide increased rental housing in urban, regional and remote communities
- That these strategies be designed to maximise self-determination for Indigenous communities, and provide appropriate support for Indigenous-led housing provision.

The First Home Owners Grant provides valued assistance to many younger households struggling to get a foothold in the housing market. However, because it is not means tested, it also subsidises many people who don’t need it. Many observers believe it has an overall inflationary effect on the housing market, which would ultimately make it self-defeating<sup>11</sup>.

*National Shelter proposes*

- That the First Home Owners Grant be targeted at low to moderate income households who need assistance to enter the home ownership market, and be restricted to the purchase of homes at or below the median price for the Local Government Area in which the purchase is taking place. The Commonwealth government should also examine the option of providing this benefit as an interest-free loan rather than a grant.
- That Commonwealth and State/Territory governments work together to introduce shared home ownership schemes which give households the benefits of capital growth in the value of their housing.

Commonwealth Rent Assistance (CRA) is the main source of support available to low income tenants in the private rental market, and provides valuable assistance in meeting their housing costs. Over 940,000 households received CRA in 2005-06, with a total financial outlay of \$2.1 billion. However, the current maximum rate of assistance is not enough to keep many households out of housing stress in more expensive housing markets, including major cities and other growth areas. 34.9% of CRA recipients paid more than 30% of their income in rent in March 2006, and 9% paid over 50% of their income in rent<sup>12</sup>.

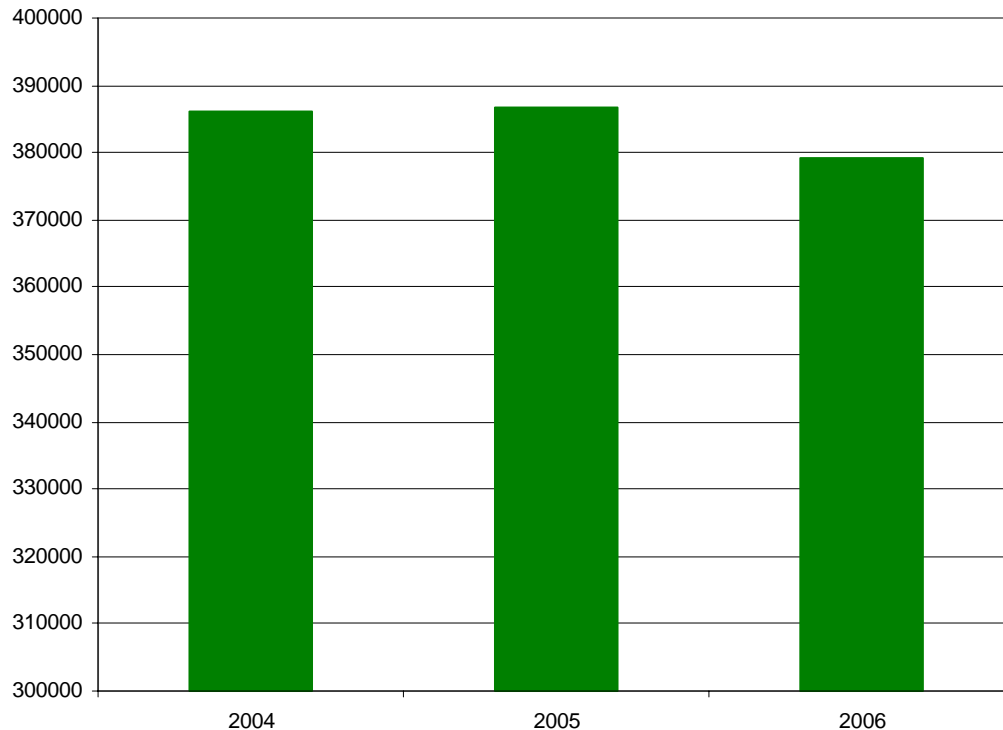
*National Shelter proposes*

- That there be a review of payment levels of CRA to ensure that they remain adequate to keep housing costs below 30% for low income households
- That eligibility be expanded to include students on Austudy
- This needs to be done alongside measures to increase the supply of affordable rental housing to ensure that increased allowances do not fuel further inflation in rents.

Public housing was introduced on a large scale after World War 2 to provide an affordable housing alternative for working families. More recently, a range of funding programs for non-profit housing providers have diversified this housing provision, and the overall government and non-profit housing sector is often referred to as “social housing”.

Since the 1970s social housing has steadily become more targeted towards disadvantaged households, housing people who are unable to participate in the workforce and have very low incomes. Over the past decade, levels of funding for social housing have dropped by 30% in real terms as a result of the failure to index payments to inflation, to the extent that the overall size of the social housing sector is gradually shrinking while Australia’s population and the number of households in housing stress are growing.

Figure 5: Social housing dwellings



Source: AIHW.<sup>13</sup>

In response to this reduction in capacity and to Commonwealth government requirements through the Commonwealth and State/Territories Housing Agreement (CSHA), most State and Territory governments are now introducing highly restrictive eligibility and allocation processes to ensure that housing is allocated to those most in need. This in turn places greater pressure on the private rental market, where low income tenants are being forced to compete with others who may be more attractive to investors, including those who are struggling to access home ownership.

*National Shelter proposes*

- That capital investment in social housing be substantially increased, with the aim of lifting total social housing to 6% of the Australian housing market by 2025. We estimate that this will require funding under the CSHA to be increased from its \$1.3 billion in 2005-06 (combined State/Territory and Commonwealth funding) to \$2.5 billion in 2007-08 and up to \$7 billion in real terms by 2025
- That the impact of current rationing processes by State/Territory Housing Authorities be reviewed to ascertain their impact on low income households (those currently in public housing, those on the waiting list and those excluded from eligibility by recent changes) and on the social housing system as a whole
- As outlined under Tax and Finance, governments should also implement other financing strategies to boost supply of affordable housing requiring lower

subsidies than social housing, which can take some of the pressure off the social housing system and the private rental market.

### ***Planning and Land Development***

Affordable housing is essential to the wellbeing of every community, and needs to be planned for at the outset of any new development or redevelopment. If affordable housing is unavailable in local communities, people are forced to either pay unaffordable rents and live in housing stress, or commute long distances from more affordable areas. Ultimately, this would lead to the polarisation of our cities, undermining the social diversity which makes them attractive places to live and work<sup>14</sup>.

In addition, it is important to ensure that housing and communities are well designed for ecological as well as economic sustainability, and that housing forms are accessible to people with disabilities and people from a wide range of cultures and household types.

Planning and land development are primarily the responsibility of State/Territory and local governments. While it is not suggested that the Commonwealth should take over these areas of responsibility, there are benefits to greater consistency between States and Territories, which could be achieved through the work of the Ministerial Council for Housing, Urban and Regional Development. There also needs to be better coordination between State/Territory planning activities and Commonwealth initiatives in the areas of infrastructure funding and economic development.

### ***National Shelter proposes***

- That the Commonwealth and State/Territory Ministers for Planning and Local Government develop a set of uniform standards for planning and land development
- That these standards include processes and levers to generate affordable housing through the planning system, with a target of 15% of all new housing to be affordable, and one third of this to be social housing
- That universal design guidelines (that is, guidelines which ensure all housing is designed to be physically accessible to all people) be incorporated into planning and building regulations
- That planning for the development of economic “hot spots” such as mining communities, rapidly developing urban areas, and key tourist destinations, include measures to ensure that there is adequate affordable housing in these communities.

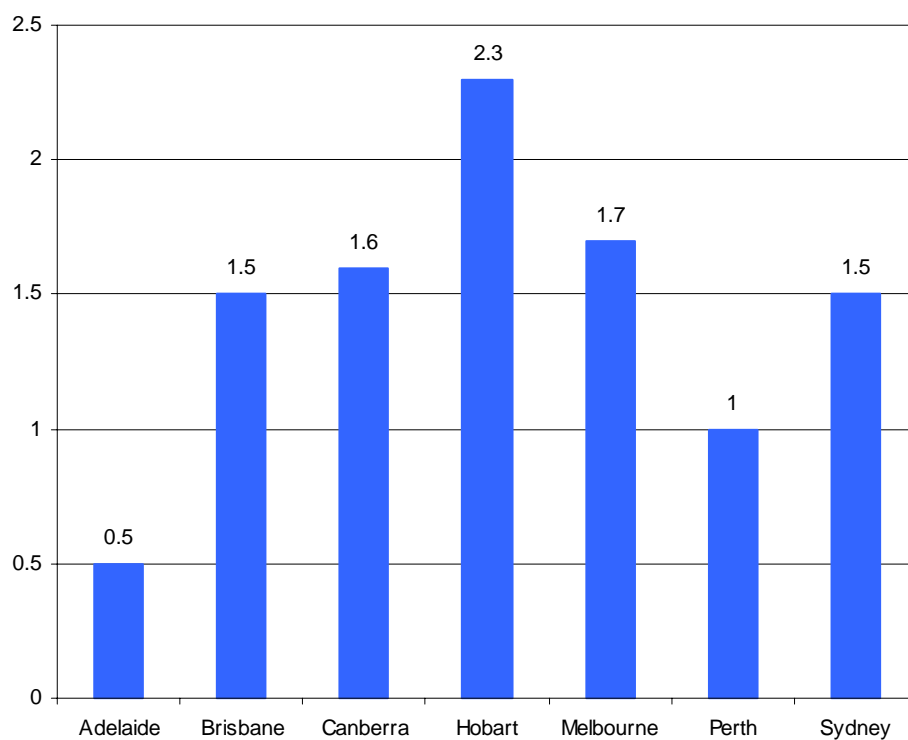
### ***Housing Regulation***

State/Territory governments have a key role in regulating the rental market. This is achieved through the administration of relevant law including residential tenancy law, as well as Housing Assistance Acts, boarding house legislation and the licensing and regulation of real estate operators and other housing providers. The Commonwealth government has a legitimate interest in this area because of the large amounts of subsidy it puts into the social housing sector as well as the private sector through negative gearing

provisions, and direct Commonwealth Rent Assistance. Currently there are large inconsistencies between States and Territories on these issues.

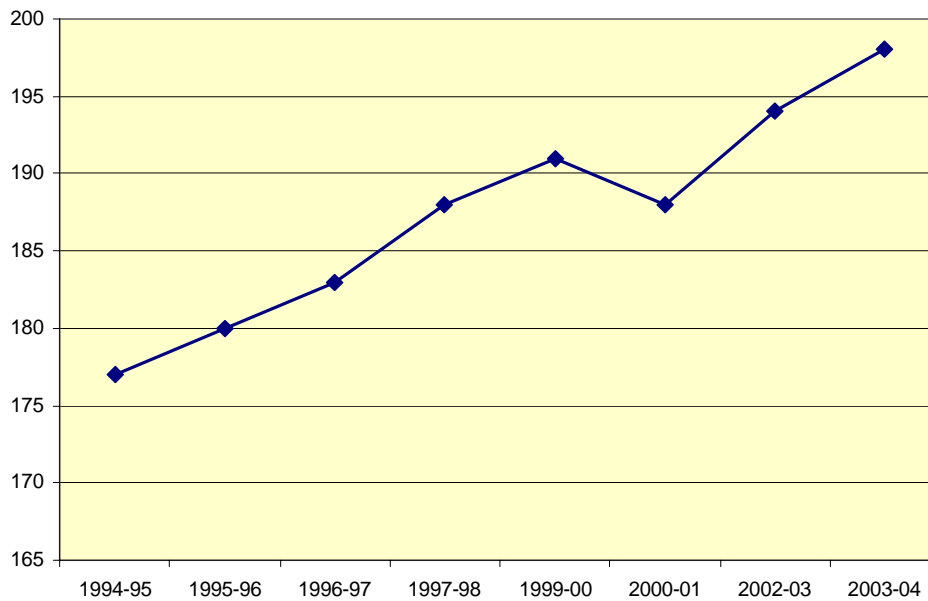
Private rental housing is increasingly becoming the only housing choice for many households. This means that demand for housing in this market is increasing. Vacancy rates in most capital cities are now below 2%, and average rents have increased steadily over the past 10 years. As incomes fail to keep pace with rising rents, more households are pushed into housing stress.

Figure 6: Vacancy rates, major cities, December 2006



Source: REIA<sup>15</sup>

Figure 7: Trends in mean weekly rents (2003-04 dollars)



Source: ABS.<sup>16</sup>

Research suggests that over time a greater proportion of younger Australian households are either choosing to rent for longer, or being forced to by the rising cost of home ownership<sup>17</sup>. Approximately 40% of private renters have rented for 10 years or more<sup>18</sup>.

There is a need to accept these figures and recognise rental housing as a legitimate long term tenure and ensure equity with other tenures such as home purchase and ownership in relation to rights such as security within the tenure. Current residential tenancy law systems leave long-term private renters vulnerable to eviction without cause and to unexpected and often unaffordable rent increases. In addition, the growth of tenancy databases has led to the exclusion of many low income households from this market.

#### *National Shelter proposes*

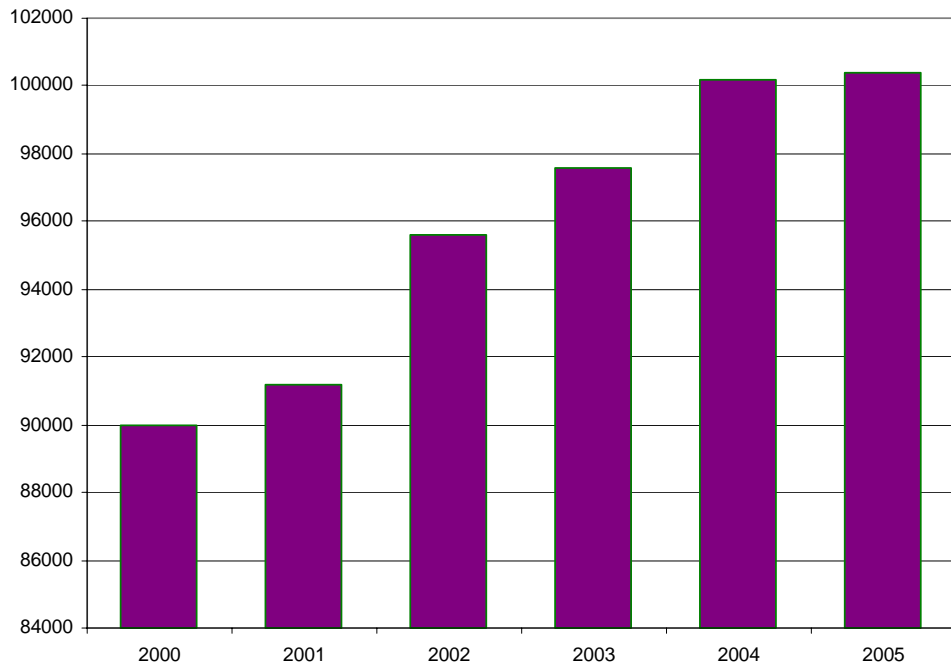
- That the Ministerial Council on Housing work towards the development of national standards for tenant rights
- That these include provisions for “just cause eviction”, for limits to the frequency and level of rent increases, and for tighter regulation of the operation of tenancy databases.

#### *Human Services*

Many disadvantaged households require extra support to access and sustain housing. These include homeless people, and many people with disabilities, mental illness, and drug and alcohol issues. Demand for the services of homelessness agencies has increased over the past few years, and service providers report dealing with more complex problems and increasing difficulty finding pathways out of homelessness in a competitive housing market. Over 100,000 people received support from homelessness agencies in

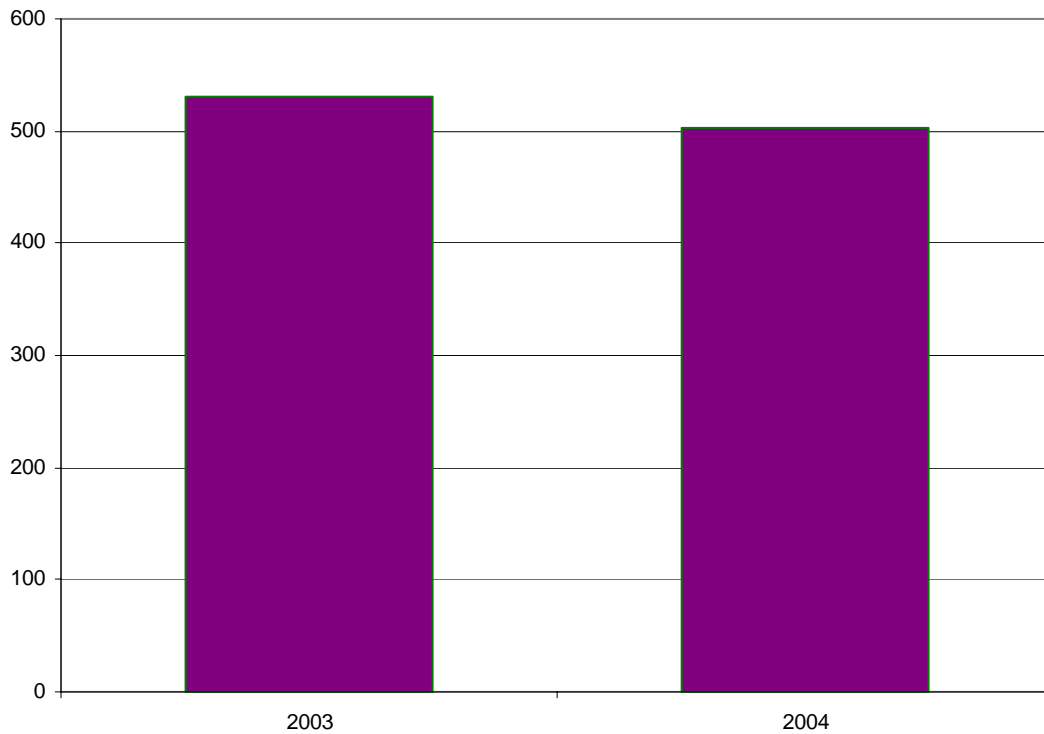
2004, and each day in this period over 500 requests for assistance had to be refused as a result of the lack of capacity of services to meet their needs.

Figure 8: Clients of homelessness services



Source: Australian Institute of Health and Welfare.<sup>19</sup>

Figure 9: Daily Unmet Requests for Homelessness Services



Source: AIHW<sup>20</sup>

Homeless people often suffer from other issues which make them doubly vulnerable – for instance 12% of people requesting assistance from homelessness services reported having a mental illness, and 19% reported having a substance abuse problem<sup>21</sup>. The housing system and the human services system need to be working together to ensure that such households are able to stabilise their lives and live as part of the wider Australian community.

*National Shelter proposes*

- That State/Territory and Commonwealth governments and NGOs work together to develop new models of housing and support which meet the needs of high need households.
- That the homelessness and housing systems be better aligned to provide sustainable pathways out of homelessness for people accessing the homelessness support system. However, this approach will only be successful in the context of the kind of significant boost in resources for the social housing system outlined above – otherwise the social housing system will continue to be overloaded and will be unable to respond to the level of need.

## **Conclusion**

Despite our nation's increasing economic prosperity, 1.2 million households are in housing stress, and 100,000 people are homeless on any one night. Australian governments need to work in partnership with the non-government and private sectors to rectify this situation. This document outlines a set of proposals which can start our nation on the path to delivering a fair share of housing resources for all Australians. We would urge governments and political parties across the country to seriously consider these proposals.

## Notes

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<sup>1</sup> Australian Bureau of Statistics, 'Household income and income distribution, Australia, 2003-04', ABS cat. no. 6523.0, August 2005.

<sup>2</sup> Judith Yates and Michelle Gabriel, 'Housing affordability in Australia', research paper, Australian Housing and Urban Research Institute, February 2006, pp.42-43.

<sup>3</sup> Judith Yates and Michelle Gabriel, 'Housing affordability in Australia', research paper, Australian Housing and Urban Research Institute, February 2006, pp.3-4.

<sup>4</sup> Chris Chamberlain and David McKenzie, "Counting the Homeless" from [http://www.ausstats.abs.gov.au/ausstats/free.nsf/4ac2984dfb47af1eca2568a2008320b4/764b5f5b54027822ca2571f70015a6a8/\\$FILE/Chris%20Chamberlain%20&%20David%20Mackenzie.pdf](http://www.ausstats.abs.gov.au/ausstats/free.nsf/4ac2984dfb47af1eca2568a2008320b4/764b5f5b54027822ca2571f70015a6a8/$FILE/Chris%20Chamberlain%20&%20David%20Mackenzie.pdf)

<sup>5</sup> Steering Committee for the Review of Government Service Provision, "Report on Government Services 2007", Chapter 16 p 60

<sup>6</sup> Judith Yates, "The Housing System and Housing Finance", presentation to Queensland Shelter, 2004

<sup>7</sup> Sustainability refers to both the individuals capacity to maintain reasonable housing over their lifetime, and the economic and environmental efficiencies of our housing system.

<sup>8</sup> Judith Yates, "A Distributional Analysis of the Impact of Indirect Housing Assistance", Australian Housing and Urban Research Institute, Final Report No. 36, April 2003

<sup>9</sup> Australian Institute of Health and Welfare, Supported Accommodation Assistance Program national data collection annual reports, NSW supplementary tables.

<sup>10</sup> Australian Institute of Health and Welfare, "Indigenous housing needs 2005--a multi-measure needs model"

<sup>11</sup> Peter Saunders, "After the House Price Boom", in Policy Vol 21 No 1, Centre for Independent Studies, Autumn 2005

<sup>12</sup> Steering Committee for the Review of Government Service Provision, "Report on Government Services 2007", Chapter 16 p 62-69

<sup>13</sup> Australian Institute of Health and Welfare, Commonwealth-State Housing Agreement housing data collections. The number indicates the number of tenantable dwellings as at 30 June each financial year. The data for 2006 do not include crisis accommodation dwellings, since the number of those was not available at the time of writing.

<sup>14</sup> Judith Yates, Bill Randolph and Darren Holloway, "Housing Affordability, Occupation and Location in Australian Cities and Regions", Australian Housing and Urban Research Institute, Final Report No 97, February 2006

<sup>15</sup> Real Estate Institute of Australia, "Real Estate Market Facts, December Quarter 2006"

<sup>16</sup> Australian Bureau of Statistics, 'Housing occupancy and costs: 2003-04', ABS cat. no. 4130.0.55.001, March 2006. The data are in 2003-04 dollars.

<sup>17</sup> Scott Baum and Maryann Wulff, "Housing Aspirations of Australian Households", Australian Housing and Urban Research Institute, Final Report No 31, January 2003.

<sup>18</sup> "Private Renters Households: who are the long term renters?" Wulff, M. 1997

<sup>19</sup> Australian Institute of Health and Welfare, Supported Accommodation Assistance Program national data collection annual reports. A client might have more than one contact with a SAAP agency in a year, though nearly three-quarters do not

<sup>20</sup> Australian Institute of Health and Welfare, Supported Accommodation Assistance Program national data collection annual reports

<sup>21</sup> Australian Institute of Health and Welfare Bulletin 51, "Homeless SAAP Clients with Mental Health and Substance Use Problems 2004/05"