

# Rebuilding the Australian Dream - National Shelter Policy Platform

## Background Information

### **1. A Commonwealth Housing Department and Housing Minister**

Australia's housing stock is worth more than a trillion dollars and provides accommodation to over 7 million households. Housing is a key economic driver and has a profound influence on employment, health and social outcomes. Despite all this, there is no Commonwealth Minister for Housing, nor is there a Commonwealth Department of Housing.

Currently there are several housing related schemes that fall under different Ministers and are administered either on a Commonwealth or State level. For instance, the Commonwealth State Housing Agreement (CSHA) is administered by the Commonwealth Department of Family and Community Services via various State Housing Authorities, while the First Home Owners Grant is administered by State and Territory Revenue Offices. The following programs currently exist:

- *Commonwealth State Housing Agreement (CSHA)*

The Commonwealth Government currently provides around \$1 billion per year for public and community housing through the Commonwealth State Housing Agreement, with the States contributing an additional \$350 million per year. The CSHA includes three tied programs for specific purposes (crisis, community and Indigenous housing).

- *Commonwealth Rent Assistance (CRA)*

Commonwealth Rent Assistance is a non-taxable income support supplement paid by the Commonwealth Government to tenants in the private and community sector who receive a Centrelink Payment. Public housing tenants do not receive rent assistance, although they do pay a subsidised rent that is related to their income. Currently the annual outlay on CRA is around \$1.7 billion per year, yet according to the Productivity Commission one third of CRA recipients still experience housing stress, i.e. pay in excess of 30% of their income in rent. Moreover, anecdotal evidence suggests that at least in some cases, CRA goes straight into the pockets of private landlords in the form of increased rents rather than contributing to increased affordability.

- *First Home Owners Grant (FHOG)*

The First Home Owners Grant was introduced by the Commonwealth to offset the impact of the GST on people buying their first home, and is administered by the States and Territories. Eligible applicants are entitled to a one-off \$7000 payment and total expenditure on the program has so far exceeded \$3 billion in three years. However, all first homebuyers are eligible for the grant, even if they earn over \$100,000 per year and even if the price of the house they are purchasing exceeds a million dollars.

National Shelter believes the grant should be better targeted, by including eligibility caps for the applicant's income and the purchase value of the house. When combined with other forms of assistance, FHOG could make a more significant contribution to the capacity of low and moderate income households to access home ownership.

- *Taxes and Incentives*

There are numerous tax exemptions aimed at encouraging people to invest in housing. Most notable amongst these are capital gains tax exemptions, the non-taxation of imputed rents (i.e. the deemed rental value of owned properties) and land tax exemptions for owner-occupiers, and the benefits of negative gearing for investors. The value of the two first mentioned tax exemptions has been conservatively estimated at \$17 billion per year. Research shows direct and indirect subsidies to homeowners cost far more than the Government spends on 'those most in need'.

The Commonwealth State Housing Agreement and Commonwealth Rent Assistance, (over \$2½ billion per year) primarily benefit lower income households. However, the First Home Owners Scheme (around \$1 billion per year) is not targeted to lower income households and primarily assists middle to higher income households. It has been shown to raise house prices in some areas. In addition, tax incentives to a value of at least \$17 billion per year primarily benefit higher income households. In other words, the current system provides higher income households with nearly five times as much in government assistance than it does lower income households. However, it would be possible to better target the system in order for it to benefit low-income households.

Several of these grants and payments work against each other. For instance, around 80% of First Home Owner Grants are for established homes, the rest for new-build. The available evidence indicates that the result of this has been an increase in house prices, reducing housing affordability.

The current confusion of State and Commonwealth Departments responsible for administering different housing-related payments and overlapping portfolios impacting on housing (e.g. Planning, Infrastructure, Regional Development, etc) has made any consistent direction in housing assistance impossible. National Shelter recommends that a Commonwealth Cabinet Minister and Department responsible for Housing are needed to provide policy direction, in the first instance by developing a National Housing Policy.

Existing housing policy and programs could be brought under the umbrella of the Department of Housing, including the Commonwealth State Housing Agreement, Commonwealth Rent Assistance and the First Home Owners Grant. This Department could work with State Housing Ministers on how to implement a National Housing Policy on a State level.

## **2. A National Housing Policy**

The past decade has been one of immense changes, which have included massive economic change and restructuring, the influence of globalisation, taxation reform, proposed welfare reform, the development of whole-of-government approaches to service delivery and an increased appreciation of the ways in which housing, employment, health and welfare issues and policies interact with each other.

In the light of these changes, it is vital that a National Housing Policy be developed, to identify ways in which the current system can be reformed to use existing funds more efficiently and effectively. Once this has been accomplished, the Framework

should then identify areas where additional funding is still required. The Framework would also provide a structure from which ad hoc policy proposals, such as the bond system proposed by the Affordable Housing National Research Consortium and the shared equity arrangement proposed by the Menzies Institute, could be explored and, if deemed appropriate, trialled.

The Consortium recommended raising finance for affordable housing through the issue of a Commonwealth bond with a guaranteed minimum after-tax return. The funds generated would then be distributed to the State Housing Authorities and community housing providers to construct affordable rental dwellings.

In addition, the Framework would allow the various levels of Government to identify how they will adapt to the changing fiscal environment. In particular, the States' income from GST is set to overtake specific purpose payments such as the CSHA over the next decade. This is likely to have major implications on the way public housing will be funded into the future, and the Framework should ensure that the transition to the new fiscal environment protects and enhances the public housing system.

In order to be effective, the Policy Framework should operate at all levels of Government and seek to develop opportunities for partnerships with the private and community sectors. The Framework should be devised in consultation with key stakeholders, including Commonwealth, State and Local Government, housing consumers, the housing industry, housing support agencies and relevant community groups. The Framework should address all issues regarding the provision of Affordable Housing, incorporating public housing, community housing, Commonwealth Rent Assistance and the First Home Buyers Grant.

#### *Housing and Employment*

The final report of the Reference Group on Welfare Reform (McClure, 2000) noted the importance of housing in facilitating people's participation in employment. Well-located, adequate and affordable housing provides an essential stable base from which people may focus on issues other than accommodation, including seeking and maintaining employment. Great difficulties arise when people have to spend considerable amounts of time and money travelling to available employment, or finding alternative affordable housing, which can create a 'poverty trap' as well as problems with leaving behind social networks.

#### *Housing and Income*

Income support policies have a significant impact on people's housing situations and choices, such as the increasingly punitive penalty system for people not complying with job seeking requirements, which may result in loss of income and exposure of tenants to eviction and loss of shelter. Another situation is when people move to areas where housing is cheaper. Since areas with lower cost housing tend to have fewer employment opportunities, these people may be penalised by their Centrelink benefits being terminated for up to 26 weeks for moving to areas with higher unemployment rates.

#### *Housing and Community*

Governments are increasingly emphasising the need for 'community strengthening' and regional development, and housing has a strong role to play in this. This can only be accomplished if housing is secure, affordable, and located so that it facilitates people's access to transport, health and community services. Tenant participation is a crucial element community strengthening, as it provides tenants with the opportunity to be involved in decisions about their housing and neighbourhood. In addition, a variety of housing options must be available in local communities that

include a mix of dwelling sizes, adaptable and accessible housing, and a range of housing assistance options.

More effective targeting of assistance can occur when economic indicators are not the sole criteria for assessing disadvantage. A more 'rounded' focus recognises the economic and social interdependencies of resources such as housing, security, environmental quality, social participation and the importance of these relationships to individual and communal welfare.

*Source: Thinking regionally, acting locally: lessons from overseas housing and regional assistance policies, Research and Policy Bulletin – AHURI/UNSW-UWS Research Centre. Brendan Gleeson & Chris Carmicheal, 2001)*

### *Housing and the Tax System*

There is a need for Governments in Australia to follow examples from other countries that have used subsidies through the taxation system to encourage private investment in public or private housing that is affordable for people on low incomes. All Levels of Australian Governments need to develop ways to reform the tax system so that it will facilitate the development of affordable housing.

### *Housing in Non-Metropolitan Areas*

Broad housing issues of housing stress, affordability and availability of housing are similar in Metropolitan and Non-Metropolitan areas. However, some issues do reflect the specific aspects of geographic location (urban, rural, and remote areas). The National Housing Policy should include specific non-metropolitan housing strategies, aimed at addressing housing problems and the needs of low-income households in regional towns and rural and remote areas.

### *Indigenous Housing*

The housing issues faced by Australians in general are much greater for Indigenous people. Indigenous people in remote areas face problems with housing shortages and low quality stock, while high rents and house prices, racism and maintenance problems have been demonstrated to hinder their access to private rental and home purchasing in urban areas. Indigenous people in all areas have been shown to suffer a much greater degree of overcrowding than the general population.

### *Accessibility and appropriateness in Housing*

The National Housing Policy must support initiatives that shape the delivery and management of housing in Australia. Universal and accessible design principles that consider housing needs across the lifecycle and environmental and energy efficiency in design, are essential for achieving a more sustainable and inclusive housing system. Monitoring and review of the Australian Building Standards and other regulatory, planning and legislative regimes are crucial to support outcomes in these areas.

### *Housing and Homelessness*

A severe lack of appropriate and affordable housing, increasing levels of housing stress and a lack of access to timely forms of social support are key contributors to homelessness in Australia. Improved service system linkages between programs and Government Departments, as well as policies and practices ensuring more coordinated and flexible responses to homelessness are required. The National Housing Policy must closely link with and support the National Homelessness Strategy to encourage better co-ordination of responses at state and community levels.

Real estate booms and rent increases mean housing affordability continues to decline for households on low and fixed incomes. Traditional low-cost accommodation in inner Melbourne is now scarce. In March 2001, only 2% of all new rental leases in inner Melbourne were deemed to be affordable for low-income households (that is, within 30% of income including Commonwealth Rent Assistance rent assistance. The same percentage applied in Adelaide in the Dec 2002 quarter).

*Source: Directions for Change, Victorian Homeless Strategy, pg 9*

### *Best Practice Tenancy Management in Housing*

Promoting best practice national tenancy legislation and management must also be supported across the various forms of rental housing provision. Poor tenancy management negatively influences people's ability to maintain their housing across all rental tenures.

### **3. A Target for Social Housing**

Some sections of the community simply cannot access the mainstream rental or purchasing market. In order to cater for these people, Australia has established a system of social housing, i.e. housing run by Government and non-Government (non-profit) organisations.

Public and community housing are fundamental to the reduction of poverty and broader social and economic inequalities. One consequence of inequality and high housing cost is a noticeable increase in the numbers of homeless Australians. Housing also plays an important role in facilitating access to employment, social and other services. It is vital that our Governments increase their commitment to the provision and funding of low-cost housing and that the Commonwealth Government take a lead role.

In the face of falling levels of Commonwealth and State funding for public and community housing, State Housing Authorities have curtailed stock acquisition and construction programs and struggled to expand public housing stock to keep pace with demand. The contraction of social housing has placed additional pressure on the Rent Assistance program, which is making little impression on the growing gap between the demand for and availability of low-cost rental housing.

A standard benchmark for housing as a percentage of income is 30%. This is the same benchmark that banks and lending institutions apply when assessing capacity to pay a mortgage. Low-income earners that pay more than 30% of their income in housing costs are said to be in housing stress. Those households in receipt of Commonwealth Rent Assistance who pay more than 50% of their income in rent are in extreme housing stress. There are 88, 846 low-income people/families in Australia who are paying more than half their income in rent every week. This group are living in private rental and are all on some form of Centrelink payment or benefit.

*Source: ACOSS, online information papers, Info 323.*

In most States and Territories the gap between the number of applicants and the amount of public housing available has grown. Australia's social housing system has

declined as a proportion of total housing stock from 6.2% in 1994 to 4.7% in 2001<sup>1</sup>. As a result public housing waiting lists have grown by 15% - from 195,000 in 1990<sup>2</sup> to 223,290 in 2001<sup>3</sup>. Research by Maryann Wulff, Judith Yates and Terry Burke found that a shortage of 150,000 units of affordable housing in 1996.<sup>4</sup>

A number of inquiries, including the 1993 Industry Commission Report on Public Housing, have demonstrated that capital expenditure on public housing is the most cost-effective way of spending housing funds. Forward projections by National Shelter indicate that in order to reverse these trends and to ensure that all Australians have access to affordable and appropriate housing, an additional 350,000 units of social housing must be created by 2020.

This would effectively double social housing stock in the country, and at an average of \$200,000 per dwelling would require a five-fold increase in funding for social housing, to around \$4.7 billion per year. While no small achievement, it would be possible to achieve this target without further burdening the Australian taxpayer, by retargeting the First Home Owners Scheme and various tax breaks towards increasing social housing stock.

Further funds could be attracted through innovative approaches to housing provision. In order to facilitate this process, **National Shelter recommends** that an Affordable Housing Innovation Unit be established under the umbrella of the new Commonwealth Department for Housing.

#### **4. An Affordable Housing Innovation Unit**

Over the years, Government, industry and the community sector have put forward many ideas to increase the supply of affordable housing. Some of these ideas have appeared promising on paper, but no concerted effort has been made to foster the practical development of such ideas.

An Affordable Housing Innovation Unit in the Department of Housing would provide budget support to test, facilitate and promote innovative approaches to low-income housing provision. This will enable providers to think beyond the current standard provision of social housing, and test ideas that could be money saving, strengthen the community, encourage and involve developers and industry in being socially proactive, better utilise land available, be environmentally conscious and energy efficient, and develop a range of other innovative possibilities. Examples could include:

- Public private partnerships, e.g. with the superannuation industry where there is an increasing need to demonstrate sustainable outcomes from their investments.
- Examine additional funding streams for public housing in addition to the CSTHA and State GST revenues
- Examine under-utilised Government owned land close to services; reclaim and revitalise waste or other sites, such as passenger train stations, etc.
- Incorporate social, ecological, sustainable and economic factors into creating mixed housing and local business into eco-villages.

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<sup>1</sup> ABS Australian Housing Trends 1996 & 2001

<sup>2</sup> Housing Assistance Act, 1996. Annual Report 96-97

<sup>3</sup> Productivity Commission, Report on Government Services 2003. It should be noted that this figure represents the number of applications (i.e. households) not the number of people waiting to be housed (i.e. the total number of people in those households). For example the waiting list for Queensland is currently 28,000. This represents approximately 100,000 people awaiting public housing.

<sup>4</sup> M.Wulff, J.Yates and T.Burke, Low Rent Housing in Australia, 1986 to 1996, 2001.

- Planning scheme mechanisms, which could require contributions for affordable housing. These could also include density bonuses for developments, or other relaxations or incentives for which developers are required to make a designated affordable housing contribution. Any assets generated through these strategies should be managed by social housing providers and extend the existing supply of affordable housing.
- Cross-government collaborations, e.g. between Corrective Services and Department of Housing. The cost of keeping one person in prison is estimated at between \$40,000 and \$60,000 per year. However, there are hundreds of people in gaol who are caught in a situation where they are eligible for release subject to finding secure accommodation, can't find accommodation because they don't have an income, and can't obtain an income because they don't have an address. The two departments could fund the building of houses to accommodate these people on a short-term basis which would be much more cost and socially effective than keeping them in gaol. Similarly, many homeless people regularly spend recurring periods in hospital due to the lack of any alternative, at a cost of more than \$1000 per day. Building social housing would be more cost effective than leaving these people in prison or hospital.

Another example is the situation for people with mental illness or psychiatric disability who often move constantly through crisis and transitional housing and hospital. This is due to a lack of permanent options and appropriate support.

Successful projects should be publicised and full details of the process made available for others to use, and ideas from this Unit could lead the way in changing the way Governments and Councils approach affordable housing.

The Affordable Housing Innovation Unit could be implemented in a revenue- neutral way, by eliminating First Home Owner Grants on existing properties and targeting them to people with an annual household income of less than \$75,000. This is estimated to yield \$500 million per year for an Innovation Fund and would still leave around \$300 million to assist households with a household income under \$75,000 wanting to build their first home.