



Housing Australia's people: a serious plan

A national plan to make housing affordable and reduce homelessness should be coordinated with all levels of government, to utilise the policy levers available to the Commonwealth, States and Local Governments working in concert with the community and private sectors.

This requires new roles for Government, the community and private sectors; as well as new governance arrangements, including a Commonwealth Housing Minister within Cabinet, independent advisory council, and restoration of coordination mechanisms with States.

The 2017-18 Federal Budget should take the first steps, but major structural reform should be considered as part of a long term, measured and considered approach to housing affordability.

This issues paper sets out for discussion six goals to improve housing affordability (especially for people with low incomes) and reduce homelessness; proposes the Government develop a National Housing Affordability Plan in two stages; and outlines six key policy levers for reform. This includes policy options that should be avoided and questions that need to be resolved in each of these areas. It does not necessarily represent the positions of participating organisations on detailed housing policies¹.

1. Goals

1. Establish a National Housing Affordability Plan incorporating a new National Housing Affordability Agreement (NAHA)

- Secure existing and create new affordable housing options (both ownership and rental) for low and moderate-income households, people with disability, older people, young people and people experiencing homelessness;
- Set targets for net new supply in social housing for low income-earners, and expansion of affordable housing for people with low and moderate incomes;²
- Aim to improve housing security, especially for tenants (moving beyond the 6-12 month lease with better legal protection for tenants); and
- Set targets to reduce, and over time eliminate, homelessness.

¹ A list of organisations that assisted us in developing this statement is provided on the last page.

² These should be grounded in a wider set of housing security and affordability goals. The original NAHA goals may be a suitable starting point. These include reductions in rental stress and homelessness: https://www.coag.gov.au/sites/default/files/files/report_coag_2016.pdf



The Plan should:

- Be led by a National Minister for Housing at Cabinet Level together with State Ministers;
- Be coordinated with Cities policies and infrastructure planning; and
- Link social and affordable housing with new financing options and a national regulatory process to build investor confidence in all affordable and social housing.

2. Stem excessive growth in housing prices for both purchasers and tenants

- Adjust Commonwealth (negative gearing and Capital Gains Tax) and State (Stamp Duty and Land Tax) taxes to reduce incentives for speculative investment chasing capital gains, ease barriers to mobility, and rebalance housing investment between investors and owner occupiers;
 - Revenue savings from these reforms, rather than diversion of funds from the NAHA, should be used to invest in new models of provision and financing of affordable housing.
- Planning and infrastructure reforms to boost housing supply, especially affordable and social housing;
- Re-design demand-side subsidies to improve home ownership opportunities, to ensure they go where they are most needed and do not add to housing price inflation; and
- Avoid self-defeating policies which fuel inflation in housing costs, such as early access to superannuation specifically for home purchase and loosely targeted home-owner grants.

3. Scale up social housing for low income earners:

Set medium and long-term national and state targets to increase the supply of social housing dwellings:

- Underpinned by consistent national rental affordability benchmarks (based on people's incomes rather than market rents) and commitments to security of tenure;
- Building on the existing social housing 'base' rather than undermining it (e.g. by withdrawing resources from the NAHA, or diverting existing resources for housing for low income earners to other target groups);
- Improve the amenity of older stock, and ensure that new stock is energy-efficient and accessible for people with disabilities.

This requires increased funding commitments from both the Commonwealth and States, new sources of private finance, a rental housing investment incentive, and ongoing subsidisation of rents for both public and social tenants.

Otherwise a scaled-up social housing sector will not be sustainable, new public and private investment in social housing will not be brought up to scale, and the drift towards a diminishing share of overall housing stock and older poorly maintained dwellings will continue.



4. New additional financing options for affordable and social housing

- Establish of a bond aggregator mechanism to improve access to low-cost credit;
- Introduce a rental housing incentive for new investment in affordable housing.

5. Raise the capacity of people on the lowest incomes to meet their housing needs by raising their incomes:

- Substantially increase Commonwealth Rent Assistance (CRA) for those facing the greatest housing stress;
- Increase and properly index social security payments for those with the lowest incomes, especially 'Allowance' payments such as Newstart Allowance, and Family Tax Benefits.

6. Guarantee security and transparency of funding for homelessness services while encouraging innovation in service provision:

- Guarantee funding over a five year period, while encouraging improved integration between homelessness services and the broader social and affordable housing system.



2. A National Housing Affordability Plan

Making housing affordable for all requires long-term planning, beyond a single Budget. It requires collaboration between the Commonwealth, States, community organisations and the private sector. We propose a National Housing Affordability Plan be developed in two stages.

First stage:

- The first stage would culminate in Budget decisions in a limited number of areas (see **Part 3** below) in accordance with the goals set out above.
- The second stage, after the Budget, would trigger ongoing engagement by the Commonwealth with the community sector, States and others about the direction of future reforms to NAHA related programs, linked to cities, infrastructure and other packaged reform.

Second stage:

- The second stage (post-budget) is a national housing policy review that sets goals, targets and benchmarks to improve housing affordability and reduce homelessness (including the proposed goals above) using the key levers of housing policy outlined in **Part 3** below.
- Given the deep-seated nature of our housing affordability crisis, the need for major structural reform to resolve it, and for policy stability while this is under way, the review should target long-term change (at least 10 years).
- A review outside the annual Budget process allows for more open and inclusive policy development involving States and Local Government, relevant peaks, organisations representing low-income tenants and prospective home-owners, financial institutions, housing and homelessness service providers, and input from the public (especially those directly affected by policy change in this area).
- This would help minimise the policy and political risks often associated with major changes that are developed exclusively by government within the Budget process.
- It will require open sharing of information (including from Commonwealth, State and Non-government stakeholders on current costs and inputs) on the performance of the present system, options for reform, and their potential impacts.
- It would be underpinned by governance changes at the Commonwealth level including a Commonwealth Housing Ministry, independent national advisory council, and reinstatement of a Housing Ministers' advisory mechanism.
- The review would be informed by the best available research on long-term projected trends in housing demand and supply nationally, within regions, and between sub-groups of the population, drawn together by the abovementioned advisory bodies and/or a national housing supply council.
- It would be linked with other relevant reforms under way or being considered (such as NDIS, social security reform, infrastructure, and cities).

3. Policy levers to make housing affordable for low and middle income earners

This part sets out six policy levers the Commonwealth and States can use to implement the plan, focussing particularly on low-cost and affordable housing.

1. Financing social housing - the future of direct public funding via the NAHA:

First stage:

1. At least the present level of direct Government funding should continue to be available through NAHA (or equivalent) to the States for social housing:
Lengthy waiting lists, the poor quality of many social housing dwellings, and rolling financial losses among State housing authorities, demonstrate a need for a substantial boost of resources, both for capital and recurrent expenditures³.
2. Resolving these problems and expanding and improving social housing must be a shared commitment of the Commonwealth, States, and social housing providers, working in partnership with organisations representing tenants and related service providers.
3. This should be tied to clear commitments to keep rents affordable (as measured in relation to income), net increases in dwelling numbers, improvements in amenity, as well as other outcomes achieved by states such as head-leasing, bond and rent subsidy.
4. These outcomes should be regularly monitored and publicly reported, as part of annual reporting on progress in achieving broader housing affordability and homelessness goals.
5. States should make co-contributions to the pool of NAHA resources based on an agreed proportion of Commonwealth contributions.
6. Homelessness funding should be accounted for separately within the NAHA (as detailed below).
7. Tenants receiving social security should be encouraged to use 'Centrepay' to transfer rents automatically from their payments.

Policy options to avoid:

- Policies that reduce the disposable incomes of social housing tenants or their capacity to budget on the income they have, including:
 - reductions in social security payments for people with the lowest incomes;
 - introduction of market-linked rents;
 - compulsory automatic deduction of rent;
 - expansion of 'income management'.

³ We note with concern the lack of transparency in State budgets for housing purposes. Nevertheless, it is likely that State Housing Authorities are generally running at a loss. Affordability problems are exacerbated by inadequate social security payments including CRA, especially for people of working age. Whether new investment occurs in the public or non-government sector, funding models must close financing gaps and ensure long-term viability: <https://theconversation.com/australia-needs-to-reboot-affordable-housing-funding-not-scrap-it-72861>



2. Financing social housing and improving affordability in the private rental market - the future of Commonwealth Rent Assistance:

First stage:

1. Increase CRA substantially to improve affordability for low-income tenants under the greatest rental stress⁴.

Second stage:

2. Undertake a public review of the structure of rental subsidies for low-income private and social tenants (linked to a broader review of the adequacy of social security payments) to improve their sensitivity to housing stress among different household types and housing costs in different regions, and reduce disparities between subsidies for private and public tenants without financially disadvantaging either group (in particular by introducing market-linked rents).
3. This should also be designed to ensure the long-term financial viability of a scaled-up social housing sector.

3. Homelessness program funding

First stage:

1. States should be required to report their annual allocations of NAHA and NPAH funds for homelessness services, and the Commonwealth and States should commit to increasing and indexing this component of NAHA and NPAH funds within each State for at least five years to ensure security of funding for services on the ground and reduce un-met need⁵.

Second stage:

2. Consider integrating the NPAH and homelessness component of NAHA, as a quarantined stream of funding under the umbrella of the NAHA agreement.
3. Continue to encourage and support innovation in homelessness services, including better integration between short-term and longer-term housing solutions, streamlined access to services, 'housing first', early intervention, preventing tenancy breakdown, rapid rehousing, and development of an outcomes framework.

4. Financing social housing – access to capital

First stage:

1. A 'bond aggregator' model for financing social and affordable housing should be tested, supported by a new rental housing investment incentive (see (5) below) in addition to maintaining current funding levels under NAHA, and improving CRA:

⁴ ACOSS has proposed a 30% in maximum rates of CRA, at an annual cost of \$800 million.

⁵ The funding 'base' would be current-year State-by-State allocations for homelessness services.



While access to cheaper credit would assist in up-scaling both social housing and broader affordable housing models (i.e. housing for those with low and modest incomes including such stock managed by social housing providers), on its own it will not close the financing gap.

Social housing for low income households will also require continued funding via NAHA, and broader affordable housing is likely to require a tax or equivalent incentive as proposed below. The inadequate incomes of many people on the lowest social security payments also contribute to the financing gap.

2. Our preferred governance arrangement for a bond aggregator is an independent statutory authority along the lines of the Clean Energy Authority.

Second stage:

3. Close the financing gap for social housing for low income-earners through a combination of a redesigned CRA (see (3) above), the introduction of a rental housing investment incentive (see (5) below) and other supportive action by governments including inclusionary zoning and release of public land (see (6) below).
4. Improved regulation of all social housing through a single agreed national regulatory system.

5. Financing social and affordable housing – tax reform and incentives

First stage:

1. To encourage investment in new affordable dwellings, a rental housing investment incentive would be introduced on a modest scale, in the form of a tax rebate or equivalent direct subsidy for construction of new affordable housing stock rented for at least 10 years at less than 75% of median rents.
2. The incentive would be financed through wider reform of the tax treatment of investment to remove biases in favour of speculative investment in asset values, ease inflation in housing costs, and improve financial stability, including changes to 'negative gearing' arrangements and CGT concessions⁶.

Second stage:

3. The rental investment incentive would be progressively expanded, learning from the experience of its early years and also from experience with the NRAS:
 - Consideration would be given to extending the incentive to social housing (i.e. targeting low income households, with rent linked to incomes).
4. Additional tax or direct incentives should be introduced to encourage modifications that improve energy efficiency in affordable housing, meet the needs of people with disabilities, and assist with the higher costs associated with construction and improvement of rental

⁶ ACOSS advocates quarantining of passive losses (restricting 'negative gearing') subject to grand-fathering arrangements for existing properties; and the halving of the 50% CGT discount phased in over 10 years.



housing in remote areas⁷;

- These incentives would also be financed through housing tax reforms rather than NAHA funds.

5. In addition to the Commonwealth tax reforms described above, States would undertake the following reforms to improve efficiency in the use of land, reduce impediments to mobility, and remove biases against institutional investment in rental housing:

- Phased replacement of housing-related Stamp Duties with a broadly-based Land Tax⁸;
- End 'aggregation' of Land Tax for rental properties to encourage institutional investment; without reducing overall public revenue from this source;
- Consider taxes on vacant properties, possibly based on the Victorian model.

6. Other policy levers

First stage:

1. Consider introduction or expansion of government or community housing provider-backed shared-equity schemes for people with low incomes, designed to provide a reasonable return for home purchasers and credit providers, and to add to net new supply while avoiding inflationary pressure in housing prices⁹.

Second stage:

2. Additional steps to be taken by all levels of Government to support expansion of social and affordable housing through:
 - Inclusionary zoning, infrastructure investment (especially urban transport), release of public land, and partnerships with the private sector to upgrade and re-develop older public housing estates (provided the latter result in net increases in social housing stock).
3. Review the best available evidence on factors that discourage older home-owners from 're-sizing' and consider alternative policies to address this including:
 - a Stamp Duty – Land Tax swap;
 - planning reforms and investment in physical and social infrastructure that enable to people to 'age in place' close to their original home¹⁰.

⁷ The Liveable Housing Australia 'Silver' level standards could be used for the purpose of monitoring accessibility for people with disabilities.

⁸ This would extend to owner-occupied housing with appropriate adjustments for low-income households and exemptions for charitable organisations including social housing providers.

⁹ 'Keystart' in WA is a good example. Targeting low income – earners and new housing construction would help to contain adverse impacts on house prices.

¹⁰ This is a more important consideration for most older people than purely financial disincentives.



Policy options to avoid:

1. Policies likely to inflate housing prices, including:
 - allowing early access to superannuation for home purchase;
 - poorly-designed first home-owner subsidies (e.g. extending to purchase of existing dwellings);
2. Policies that undermine the equity and efficiency of the tax-transfer system, including:
 - exemptions for the newly introduced high-income superannuation 'caps' for people who sell their homes and reinvest in super;
 - easing the pension assets test for assets derived from the sale of homes.

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- NCOSS
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