#Budget2017 Housing Analysis

A Comprehensive Plan to Address Housing Affordability

The most positive aspect of the Federal Budget is that it links housing affordability to infrastructure and cities, includes tax reform and assures ongoing, permanent homelessness services funding permanent - the National Partnership Agreement (NPAH) is now part of the National Affordable Housing Agreement (NAHA) - and it facilitates growth for the community housing sector.

Treasurer Scott Morrison announced “new” money for homelessness but this is incorrect. The Budget represents the extension and permanence of the NPAH. The funding is only new in the sense that it was not previously included in forward estimates however, this is a victory for our housing and homeless sectors who have repeatedly campaigned for certainty. The Australian Housing and Urban Research Institute (AHURI) have reported that current levels of homelessness funding are insufficient to meet demand, the number of people experiencing homelessness is rising, and without dedicated public funding to drastically increase the supply of social housing, it is not possible to safely exit people from homelessness into affordable housing and the Budget does not address this issue.

A Comprehensive Plan to Address Housing Affordability

The headline of the Federal Government’s Housing Fact Sheet reflects what was touted as a centrepiece of the Budget. The budget contains a number of measures which might be considered a “package” but what has been offered is far from comprehensive. A further reaching package would have included significant public investment in new social and affordable housing to enable negotiations on altering the NAHA to a National Housing and Homelessness Agreement (NHHA), instead we are in a holding pattern with a change of acronyms. There is too little detail available at this point to critique the politics that may have a deeper effect on arrangements between the Commonwealth and the States, with new bilateral agreements. We will watch with interest to learn more about the agreements.

A further reaching Budget would have contained significant tax reform to address housing inflation, in our capital cities, instead, and against all evidence-based policy advice, it merely tinkers around the edges of Negative Gearing and Capital Gains Tax Concessions. A braver and more effective reform would also have contained incentives to drive the private sector financing the Commonwealth Government hopes for. The finance corporation and the bond aggregator are welcomed, but unfortunately the winner will be local governments benefitting from the National Housing Infrastructure Facility, reminiscent of Labor's Housing Affordability Fund which will help release some new land for development, but how it guarantees affordability remains a question.

The budget could have dampened demand and boosted supply, and while there are some supply measures they have also boosted demand through the first home savers scheme and downsizing measures for seniors both using superannuation accounts. National Shelter does not view either of these measures as assisting people living on low incomes who are the real losers in this Budget. Neither will the Budget affect the market to place downward pressure on house prices or housing inflation but it contains a number of individual measures which will impact in different ways.

National Shelter is disappointed that there is no relief for private renters who are living on low incomes and experiencing housing stress within the Budget. The Federal Government must pay attention to this growing demographic of Australians during their next election campaign or ignore their situation at their peril.

National Shelter is ready to assist the federal government in the refinement of it's package and in the development of measurable outcomes and arrangements in a new NHHA. We would specifically like to undertake a funded consultation with the community sector to provide input to the process and to help the commonwealth where it has identified the need for further consultation to refine the package and its elements.

The Package

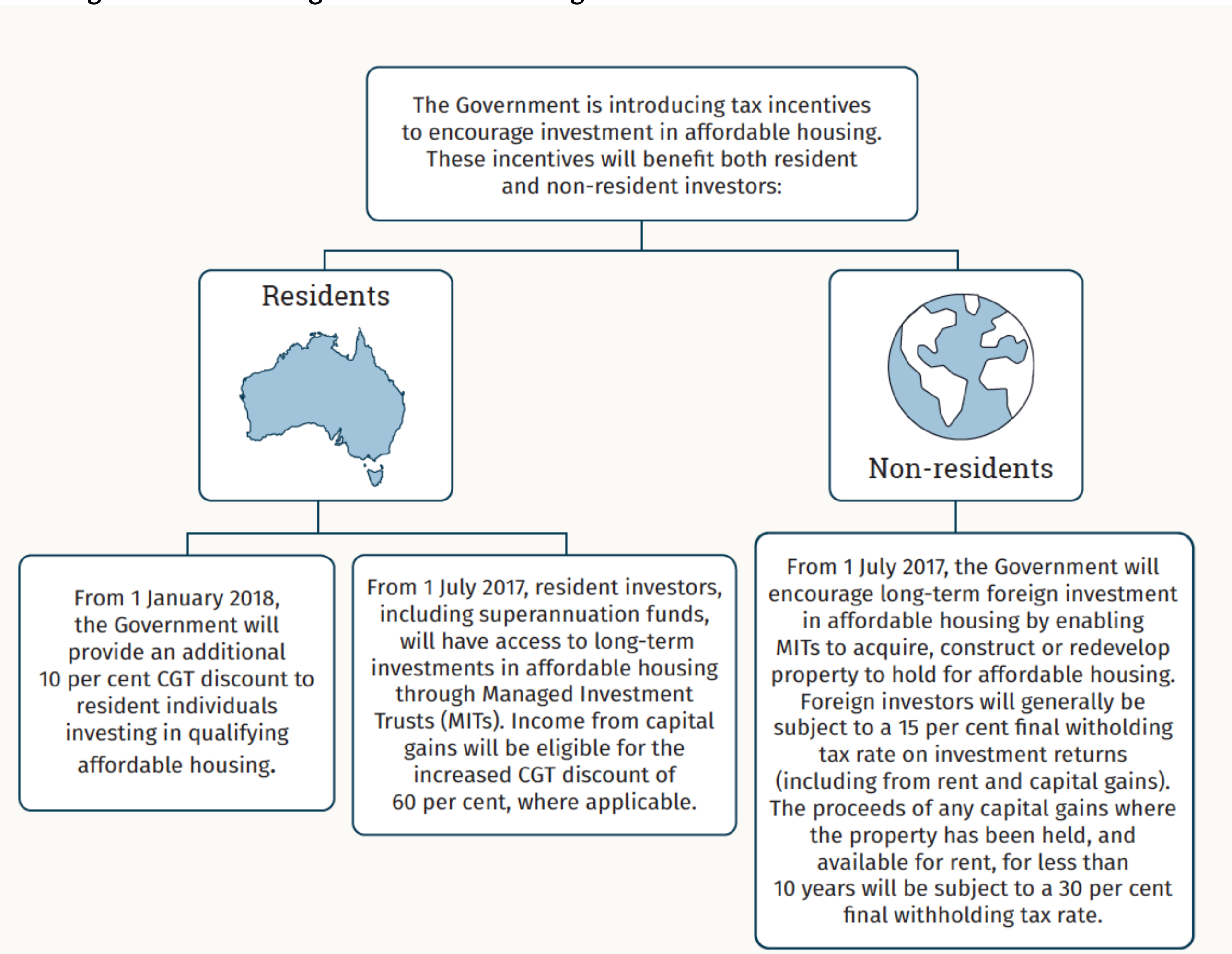
A National Housing Finance Corporation will administer:
A National Housing Infrastructure Facility
$1B over 5 years to local government to improve transport links, power and water infrastructure and site remediation to speed up land release for housing developments. The NHIF will provide:

- $600m in loans;
- $225m in equity investments
- $175m in grants

Operate a Housing bond aggregator
$9.6m next year for establishment will facilitate lowering the cost of finance for the community housing sector.

Both of the above measures will help in their own ways, the first will help to bring some new supply to the market but overall will not have a big impact. The Bond aggregator has long been supported by the community housing sector and will establish a Government backed bond facility for affordable housing which will help grow the community housing sector in Australia and National Shelter welcomes this measure.

Boosting affordable housing for Australians through investment tax incentives



To qualify for the additional 10 per cent CGT discount, the affordable housing must be managed through a registered CHP.
CHPs will match eligible tenants with properties. Requiring individuals to have their property managed through a CHP will ensure the additional discount is provided for recognised affordable housing assets.

At this stage we have too little detail to understand the implications of the measure and perhaps have more questions than comments. The use of MITs has the potential to bring new investors into affordable housing partnering with community housing providers. The government has flagged further consultation to pin down the rules, eligibility and rents and National Shelter will seek to participate in the consultation. There are examples from overseas where the use of real estate trusts may provide insights to ensure this measure achieves the desired outcome.

First Home Super Saver Scheme

From 1 July 2017, individuals can make voluntary contributions of up to $15,000 per year and $30,000 in total, to their superannuation account to purchase a first home. These contributions, which are taxed at 15 per cent, along with deemed earnings, can be withdrawn for a deposit. Withdrawals will be taxed at marginal tax rates less a 30 per cent offset and allowed from 1 July 2018.

The FHSSS Is likely to add demand side inflationary pressure to markets and increase the level of money borrowed when loans are taken which will be absorbed by the market into higher prices. Ultimately this won't help first home buyers because the additional price, borrowing and interest charged may be more than the tax offset.
It may help some get into the market but won't help them pay less, will displace others unable to contribute sufficient amounts and will add inflationary pressure. Previous first home saver schemes have had very low take up.
This measure must fit under the cap for personal super contributions so may also limit retirement savings.
Overall the measure is counter-productive.

Reducing barriers to downsizing

From 1 July 2018, people aged 65 and over will be able to make a non-concessional (post-tax) contribution into their superannuation of up to $300,000 from the proceeds of selling their home.

This measure won't help many and probably then households who may have downsized anyway. The real issue in downsizing is appropriate properties in the same locality to enable and encourage downsizing rather than any financial penalty or reward. This contributes to generational inequity and will be of greatest benefit to high income, wealthier retirees.

Stronger rules for foreign investors owning Australian housing
The Government will place a limit on foreign ownership in new developments; introduce an annual charge on foreign owners who buy residential property and leave it vacant; and tighten the foreign investor tax integrity rules to reduce avoidance of capital gains tax on Australian property.

Comment: Announced with somewhat jingoistic rhetoric "The Government is ensuring that Australian homes are available for Australians" we welcome the "vacancy tax element" although would prefer this to be a general measure for domestic investment as well. Foreign investment currently helps build new supply where domestic investment is predominantly in existing property. We welcome revenue gained from these measures, however would prefer it be added to a capital fund for affordable housing development.

Unlocking Commonwealth Land

The Government is actively contributing to the supply of housing by disposing of land that is suitable for residential housing and no longer required by the Commonwealth, beginning with surplus Defence land at Maribyrnong in Melbourne.
The Government is developing a public, online registry of its land holdings. This will allow other levels of government, private businesses and community groups to bring forward proposals to put the land to better use, including for housing development. The Government is looking to State, Territory and local governments to do the same.

This is another welcome measure which should help build a supply of land available for project development. We would prefer a targeted proportion of the developments be set aside for community housing providers to ensure affordable housing becomes a component of any redevelopment. The proposal for Maribynong is already coming under comment from the Victorian Government as doubling the call on a site which is highly contaminated and which lack infrastructure. Perhaps the infrastructure fund and the land might be used in concert with MITs investing in a CHP to maximise the affordable housing outcome, once the site is decontaminated.

Encouraging Social Impact Investing

The Government will partner with the States and Territories and other stakeholders to trial Social Impact Investing to determine the effectiveness of outcomes-focussed investing in improving housing and welfare for young people.

From 2017-18, the Government will invest $10.2 million over 10 years to trial the use of Social Impact Investments aimed at improving housing and welfare outcomes for young people at risk of homelessness. The trials will be undertaken in partnership with States and Territories and target priority groups, including those supported by specialist homelessness services exiting the out-of-home care system or institutions such as juvenile detention. It is anticipated that the first investment for youth homelessness would be ready for implementation in 2018-19.

National Shelter welcomes this measure as an appropriate use of social impact investing. It should not be limited to young people exiting out of home care but be eligible for a range of support services for young people.

Disallowing travel costs from tax deductions

Expected to raise $540m over the forward estimates and beginning from July 1 2017, the Government will disallow deductions for travel expenses related to inspecting, maintaining or collecting rent for residential rental property.

National Shelter welcomes this step on tax reform which will still allow legitimate deductions related to agents inspections or property management but which will see an end to personal travel in the guise of inspecting investment properties.

The missed opportunity is contributing this revenue saving towards a capital fund which may have allowed greater leverage in negotiating new outcomes from states or as a contribution to equity investment in community housing.

Media Contact
Adrian Pisarski
Executive Officer
National Shelter
0419 975 270
@AdrianPisarski