



Background Paper

National Housing Advocacy Day

Housing for a Fairer Australia

24 September 2008

Purpose

Australia Fair is coordinating a national housing advocacy day with the support of National Shelter, the Australian Council of Social Service (ACOSS), the Community Housing Federation of Australia (CHFA) and Homelessness Australia. The national advocacy day provides an opportunity to lobby Federal Members of Parliament (MPs) and Senators on the need to substantially increase investment in public and non-profit housing.

Australia is experiencing a housing affordability crisis with inadequate housing supply and increasing rents and house prices. This crisis is impacting severely on those in the private rental market, causing deprivation and forcing some into homelessness. The lack of available affordable housing also means that many people have no exit options from homelessness, or are trapped in unsustainable or unsafe housing. Waiting lists for public and non-profit housing are long due to the high level of need. Tight targeting of public and non-profit housing means that only the most severely disadvantaged are eligible and undermines the social and economic sustainability of public and non-profit housing.

The Commonwealth Government has acknowledged this crisis and the need for action. It has developed a range of policy measures designed to improve housing affordability, including the National Rental Affordability Scheme (NRAS) which is designed to increase the stock of affordable rental properties. A white paper on homelessness is to be released later this year and the Government has funded the construction of 600 homes for those experiencing homelessness under the 'A Place to Call Home' strategy. However, without substantial additional investment in public and non-profit housing to increase affordable housing supply for low-moderate income households, substantial improvements in housing affordability cannot be achieved.

Over the next few months the Commonwealth, State and Territory Governments will be negotiating a National Affordable Housing Agreement (NAHA) to replace the Commonwealth State Housing Agreement (CSHA) which expires in December. The NAHA will include base funding for public and non-profit housing, accommodation for the Supported Accommodation and Assistance Program (SAAP), the National Rental Affordability Scheme (NRAS) and Commonwealth Rent Assistance among a number of other programs. The NAHA negotiations provide Governments with an opportunity to substantially increase the stock of public and non-profit housing as part of a broader strategy to address the acute shortage of affordable housing.

The solutions proposed in this background paper relate to public and non-profit housing and Commonwealth Rent Assistance. However, these solutions must form part of a broader suite of measures to increase the stock of affordable housing. We support the National Affordable Housing Summit Group (the 'Summit Group') recommendation that the NAHA should include a National Affordable Housing Goal to halve the proportion of low-moderate income households in housing stress by 2020. To achieve this objective, the Summit Group suggests that an increase of about 250,000 dwellings should be achieved through affordable housing programs.

'Affordable housing programs' are programs that are recognised under the NAHA and comply with requirements in relation to their rent profile, household profile and provider profile. Three categories of affordable housing under the NAHA are proposed by the Summit Group referred to as Band A, Band B and Band C dwellings. Band A dwellings include all housing under affordable housing programs for which rents must be kept at or below 25% of residents' incomes throughout the life of the dwelling; Band B includes all registered housing for which rents must be kept at least 20% below market rates for at least 10 years and Band C includes all registered housing under approved types of home purchase programs.

The call for substantially increased investment in public and non-profit housing is consistent with, and forms part of, the approach proposed by the Summit Group.

Key issues

Social inclusion

The Government has committed to a social inclusion agenda to 'ensure no Australian is excluded from meaningful participation in the mainstream economic and social life of the country'.¹ Housing is essential to this agenda. The stability provided by secure and affordable housing enables social and economic participation. Secure housing is a foundation for stable education and employment and contributes to community cohesion. Inadequate, unaffordable or insecure housing can result in poor health outcomes, interrupted schooling, unemployment and poverty.

Rental stress

There are at least 600,000 families and singles in the private rental market in housing stress.² This represents 65% of low income private renters.³

While many Australians are struggling with housing costs, the majority of those in housing stress are private renters. Vacancy rates have reached their lowest point in twenty years at below two per cent in most capital cities (with some cities below one per cent) and rent is rising much faster than wages.⁴ Over the 12 months to June 2008, rents in most of the major capitals increased by 15% or more.⁵ Over the same period, wages increased by approximately 4%.⁶ As a result of these factors, some 65% of low income private renters are currently experiencing housing stress.⁷ Rising rent levels have also increased the pressure on public housing and crisis accommodation services and contributed to the current rate of homelessness.

¹ The Hon Julia Gillard MP, Speech to ACOSS National Conference 2008, 10 April 2008, Melbourne.

² Australian Institute of Health and Welfare (AIHW), *Australia's Welfare 2007* at 219.

³ AHURI, 'Housing Affordability: a 21st century problem', National Research Venture 3: Housing Affordability for Lower Income Australians, by Judith Yates and Vivienne Milligan et al, September 2007 at 19.

⁴ Julian Disney, University of New South Wales, 'Election 2007: Affordable rental housing', Australian Renew of Public Affairs, September 2007, accessed at <http://www.australianreview.net/digest/2007/election/disney.html>.

⁵ Australian Property Monitors, Media Announcement, 'Quarterly APM Rental Series - June', accessed at http://www.homepriceguide.com.au/media_release/APM_Rental_Market_Report_June2008_Quarter.pdf on 25 August 2008.

⁶ Australian Bureau of Statistics, 6302.0 'Average Weekly Earnings, Australia, May 2008, accessed at <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0/>.

⁷ AHURI, 'Housing Affordability: a 21st century problem', National Research Venture 3: Housing Affordability for Lower Income Australians, by Judith Yates and Vivienne Milligan et al, September 2007 at 19.

A recent AHURI study on the impact of housing affordability problems on financial and social wellbeing found that 70% of low income renters are experiencing difficulty in paying rents and 40% had been in arrears at some time in the last three years.⁸ Some 40% of lower income renters in the study moved annually in search of cheaper rents.⁹ Lower income renters in housing stress reported depriving themselves of basic goods and services in order to meet rental repayments, including meals and adequate health and/or dental care.¹⁰

Homelessness

More than 105,000 people are homeless on any given night.

All jurisdictions include homelessness—in one way or another—among the priority access criteria for public housing. However, despite eligibility for priority access, people experiencing homelessness are still confronting unacceptable delays in accessing housing. Only 4,500 people who were homeless were given priority access to public housing in 2006-07.¹¹

The causes of homelessness are complex and include domestic and family violence, mental illness, alcohol and drug problems, unemployment and poverty. Lack of access to affordable, secure housing is one of the structural causes of homelessness. Housing un-affordability also acts as a financial stressor which can contribute to family conflict and breakdown and thereby increase the risk of homelessness.

Public and non-profit housing plays a vital role in meeting the housing needs of low to moderate income Australians for whom other housing options are unaffordable or unable to meet specific needs. The role that public and non-profit housing can play in reducing homelessness falls into three broad areas:

- preventing homelessness by providing and managing secure and affordable housing;
- responding to homelessness by acting as an exit point for people leaving supported accommodation services or a housing crisis; and
- providing an immediate, secure housing option which can be complemented by support services, or where access to secure housing will avoid a crisis.

Public and non-profit housing also has a critical role to play in preventing homelessness by meeting the housing needs of some of the most vulnerable members of the community, including people leaving prison, exiting state care or mental health facilities, or escaping domestic violence. An adequate supply of public and non-profit housing is essential to ensuring that people experiencing or at risk of homelessness are immediately housed in appropriate and secure housing. Without stable housing, it is virtually impossible to address mental health, drug and alcohol and employment issues. Health and social support services are likely to achieve much better outcomes if clients can access appropriate housing. Further, without permanent, secure

⁸ Terry Burke and Simon Pinnegar, AHURI, Research Paper 9, 'Experiencing the Housing Affordability Problem: Blacked aspirations, trade-offs and financial hardships', January 2008

⁹ Ibid.

¹⁰ Ibid.

¹¹ Australian Institute of Health and Welfare, 'Who receives priority housing and how long do they stay?', Bulletin no.63, 2008, p.1

accommodation, people may remain in prolonged states of homelessness, posing serious risks to physical and mental health and placing an enormous demand on crisis accommodation services and other health and social support services. In this way, health and social support services are left to address the social impacts of the lack of affordable housing, with the costs shifted accordingly.

Declining public housing stock

- The supply of public housing has declined by approximately 30,000 dwellings between 1996 and 2006 (from 372,000 to 341,000 dwellings).¹² In real terms, taking into account the lack of growth in stock, the dwelling reduction is much greater.
- This has resulted in tighter targeting and shorter tenure periods in many states and territories.¹³
- Approximately 180,000 households were on waiting lists for public rental housing at 30 June 2007.¹⁴
- Commonwealth funding for public and non-profit housing has fallen by around 30% in real terms since 1996.

In 2006-07, the Commonwealth, State and Territory Governments provided \$1.32 billion for housing programs under the Commonwealth State Housing Agreement (CSHA).¹⁵ Of this, the Australian Government provided nearly \$1 billion (\$970.6 million) or 72.2% and the State and Territory Governments were collectively required to provide minimum matching funds of \$374.6 million or 27.8%. Public and non-profit housing accounted for the majority of this funding. We are encouraged by the fact that some jurisdictions have provided additional funding beyond the matching requirements.

Inadequate housing supply combined with declining investment in public and non-profit housing has resulted in increased targeting of high-needs groups by State Housing Authorities (SHAs).¹⁶ SHAs no longer have the capacity to house moderate-income earners and other tenants who do not have high needs. With the majority of tenants receiving rental rebates such that they pay no more than 25% of their accessible income on rent, rental revenue has declined significantly.¹⁷ As a result, most SHAs, and some non-profit housing organisations, are operating at a deficit and are funding their budgetary shortfalls through asset sales and postponed maintenance. This is an unsustainable solution which has resulted in a reduction in the number of public housing dwellings, is further tightening waiting lists for public housing¹⁸ and has left a significant maintenance backlog in a number of jurisdictions.

The eligibility thresholds for public and non-profit housing are very low due to the shortage of public and non-profit housing and the policy of targeting. While general income and eligibility

¹² Australian Institute of Health and Welfare, *Australia's Welfare 2007* at Table A5.2 on pg 457.

¹³ *Ibid* at 237.

¹⁴ AIHW, *Public Rental Housing 2006-07: Commonwealth State Housing Agreement national data report*, at x and AIHW, *Australia's Welfare 2007* at 237.

¹⁵ Steering Committee for the Review of Government Service Provision, *Report on Government Services 2008*, Volume 2, January 2008 at 16.5.

¹⁶ Planning Institute of Australia (2004) *Liveable Communities: How the Commonwealth can foster sustainable cities and regions* p. iii.

¹⁷ Steering Committee for the Review of Government Service Provision – at 16.14.

¹⁸ *Ibid*, p. 38.

tests apply, long waiting lists mean that housing may not become available for many years. Priority access criteria are designed to enable those in greatest need to access housing more quickly. These criteria vary between States and Territories but generally include experiencing or being at risk of homelessness, living in housing that is inappropriate to needs or is adversely affecting health or placing life and safety at risk. However, even in an environment of segmented waiting lists many people with priority access still wait an extended period of time to access a property. Only 22% of people with priority access are housed in less than three months. Half of those with priority access will wait more than a year.¹⁹ Of all new public housing allocations in 2006-07, 30% of households had been on the waiting list for two or more years.²⁰

The need to expand the non-profit housing sector

- Non-profit housing organisations manage not-for-profit rental accommodation across Australia for low and moderate income households.
- Australian Government funding for non-profit housing amounted to 7% of total CSHA funding provided by the Australian Government (\$67.5 million).

Non-profit housing offers a secure and affordable housing option for people on low to moderate incomes and is administered by non-profit organisations which provide tenancy and asset management services. In addition to providing housing, three out of five non-profit housing organisations provide some form of non-shelter assistance to their tenants.²¹ Many have excellent links to other community support services and have demonstrated good outcomes in negotiating supported tenancies with specialist providers such as aged care and mental health services.

The sector comprises a diverse array of organisations that range in size, location, and management structure. There were 34,672 CSHA funded non-profit housing dwellings in Australia as at 30 June 2007,²² and over 14,000 other non-profit managed dwellings, including independent living units for aged and disabled people. Another 21,505 units of Indigenous non-profit housing, and 6,773 units of crisis accommodation bring the total 'broader' non-profit housing sector to around 77,000 dwellings or 0.9% of Australia's total housing stock.²³

Eligibility criteria are generally consistent with those for public housing in each jurisdiction, however many non-profit housing organisations cater for specific tenant populations, such as people with disabilities, aged tenants, and women escaping domestic violence. As such, many non-profit housing providers are able to offer specialised housing and support for their tenants.

Non-profit housing providers are usually charitable organisations, making them exempt from GST, which has a number of advantages such as reducing housing construction costs. Additionally, the sector has a proven track record in tenancy management, making them ideal partners in joint venture developments with Governments and the private sector. Many State and

¹⁹ AIHW, Public rental housing 2006-07: Commonwealth State Housing Agreement national data report.

²⁰ Australian Institute of Health and Welfare, Public Rental Housing 2006-07: Commonwealth State Housing Agreement national data report, January 2008 at ix.

²¹ Community Housing Federation of Australia (2007) Community housing mapping project 2005-06: report on findings. Canberra.

²² Steering Committee for the Review of Government Service Provision at 16.11.

²³ Gilmour and Bourke (2008:5-6) The Role of Organisation Structure, Relationships and Networks in Building Australia's Community Housing Sector. Paper presented to the 3rd Australasian Housing Researchers' Conference, Melbourne, June 18-20 2008.

Territory Governments have recognised the role that larger ‘growth’ non-profit housing organisations can play in increasing the supply of affordable rental accommodation, and have instituted new funding and regulatory regimes to support larger organisations in the sector.

There remains, however, a strong need to increase the supply of non-profit managed housing. Such an expansion of stock numbers can be achieved in a number of ways, such as transferring title of State/Territory owned stock that is currently under non-profit management to non-profit housing organisations. Title transfer allows organisations to leverage against the value of the properties they manage to increase the amount of affordable stock. The National Rental Affordability Scheme also provides many options for non-profit housing organisations to become involved in both managing and developing new affordable rental properties. In addition to these mechanisms, an immediate injection of funding is required to significantly and expeditiously increase the supply of non-profit housing and provide relief to Australians that are currently struggling in the private rental market.

The impact of Commonwealth Rent Assistance (CRA)

- Commonwealth Rent Assistance (CRA) is received by approximately 1 million people.²⁴
- Real expenditure on CRA increased by 12% between 1997-98 and 2006-07.²⁵
- Government funding to CRA is now greater than the Commonwealth’s contribution to public housing at more than \$2 billion in 2005-06.²⁶

CRA is a non-taxable supplementary payment provided by the Australian Government to help with the cost of private rental housing. It is available to private renters, non-profit housing tenants and State/Territory owned and managed Indigenous housing tenants in some jurisdictions who pay rents above certain levels. It aims to reduce the proportion of a household’s budget that is spent on housing. Eligibility for CRA is limited to recipients of a Centrelink pension or allowance, or an amount of Family Tax Benefit (FTB) over the base rate of FTB Part A, who are also paying rent above minimum thresholds. Public housing tenants are not eligible for CRA.

CRA is paid at the rate of 75 cents for every dollar paid by the household above the threshold until a maximum rate is reached. The maximum rates vary according to family situation, number of dependant children and amount of rent paid.²⁷ CRA is not intended to achieve full affordability (i.e. less than 30% of income spent on rent). Indeed, 32% of CRA recipients pay more than 30% of income on rent after CRA. However, without CRA, 59% of these households would pay more than 30% of income on rent. In the current market, CRA remains an important, though inadequate, measure to improve housing affordability.

CRA currently subsidises a small fraction of rents in high rent locations, leaving income support recipients and low income families to pay most of their rent from often inadequate incomes. While CRA may significantly improve affordability in some Australian capital cities, it has very limited effectiveness in Melbourne and Sydney and other high-cost rental capitals because of the

²⁴ As at 8 June 2007, there were 943 718 income units entitled to receive CRA. See Steering Committee for the Review of Government Service Provision at 16.14.

²⁵ Steering Committee for the Review of Government Service Provision at 16.5.

²⁶ Australian Institute of Health and Welfare, *Australia’s Welfare 2007* at 222.

²⁷ The maximum rate per fortnight for a single with 3 or more children is \$142.36. See www.cebtrelink.gov.au/internet.nsf/payments/pay_how_ra.htm.

dwelling price and rent characteristics of these housing markets. For these reasons, a review of CRA is required to ensure that it best meets the needs of struggling renters.

Although the coverage and adequacy of CRA should be reviewed, it is clear that private renters on very low incomes are simply unable to compete in the current private market on existing CRA levels. Therefore, one option to improve housing affordability and reduce hardship among poor households with high housing costs in the short term is to increase CRA for private tenants.

An increase in maximum rates of CRA would quickly relieve the financial pressure on many low income households facing high rents. One disadvantage of the use of demand side subsidies such as CRA to improve housing affordability is that part of any increase would be absorbed by landlords and add to inflation in housing costs, especially in tight rental markets and among landlords who specialise in renting properties to low income people. The extent to which the benefits of increases in CRA shift from tenants to landlords is not known and is likely to vary between different housing markets and different Rent Assistance changes.

We therefore propose a housing affordability package that combines an increase in investment in public and non-profit housing to improve the supply of low cost housing over the medium term with a modest increase in CRA to relieve financial hardship among low income households already paying high private rents.

Solutions and rationale

We have six key recommendations:

- 1. A Growth Target should be established involving an increase in the stock of public and non-profit housing by 30,000 additional dwellings by 2012.**

A national target to increase the total stock of public and non-profit housing by 30,000 dwellings by 2012 should be included in the NAHA.

- 2. An Affordable Housing Growth Fund should be established with funding of \$7.5 billion over 4 years strictly ear-marked for expanding the stock of public and non-profit housing, contributed on a proportional matching basis by the Commonwealth and the States/Territories.**

The creation of an Affordable Housing Growth Fund would ensure that funds are ear-marked for the creation of additional housing stock.

Unlike demand side measures which have clear inflationary impacts in the housing market, an increase in public and non-profit housing supply will have a non-inflationary impact on the housing market. In addition, given the unstable nature of many international housing markets, investment in public and non-profit housing can play a role in the stabilisation of the Australian housing market.

- 3. An Operating Subsidy Program should be established, with funding of \$3.5 billion over four years provided by the Commonwealth.**

The purpose of this stream would be to enable maintenance of current stock levels in affordable housing programs.²⁸

- 4. These funding arrangements will require approximately \$5 billion above funding currently provided by the Commonwealth and State/Territory Governments through the Commonwealth State Housing Agreement (CSHA).**

The Commonwealth and States and Territories currently spend a total of \$5.8 billion on affordable housing programs. An additional \$5.1 billion is needed to meet the costs of recommendations 1 to 3.

This additional funding should be apportioned between the Commonwealth and the States and Territories on a basis which leads to an overall expenditure split on affordable housing programs of 75:25.

²⁸ Proposal 4 of the Housing Summit Group Call to Action was to boost the supply of low-rent housing by establishing a new Capital Grant Program (CGP) earmarked solely for building or buying additional government and non-profit housing and a separate Recurrent Subsidies Program (RSP) providing operating subsidy to affordable housing providers.

This additional funding would represent a substantial increase in investment in public and non-profit housing. This is justified and necessary due to the high levels of unmet need for affordable housing, the lack of housing supply, the legacy of under-investment in affordable housing and projected growth in the number of households.

5. New stock should meet standards relating to dwelling quality, disability accessibility and energy efficiency.

The NAHA should include outcomes which specify that dwellings must meet certain quality standards and be located in areas which are accessible to employment opportunities, transport, health and social services. Public and non-profit housing stock constructed or acquired under the NAHA should be environmentally sustainable and provide disability access by meeting universal design principles. All public and non-profit housing should be gradually brought up to these standards over time, including existing stock. In addition, social inclusion and social mix outcomes should be specified in the NAHA.

6. Commonwealth Rent Assistance (CRA) should be reviewed to ensure that it best meets the needs of all low income renters. As a first step, the maximum rate of CRA should be increased by 30% (approximately \$15 per week) for low income households currently receiving the highest rate of CRA, at a cost of \$500 million per annum.

A review of CRA is required to ensure that it best meets the needs of struggling renters taking into account:

- Regional rent variations;
- Currently ineligible low income households;
- CRA's impact on affordability; and
- Proposals to index CRA to the rental component of Consumer Price Index (CPI).

This recommendation is consistent with the recent Senate Committee on Housing Affordability's call to review CRA.²⁹

However, as a first step, an immediate increase in CRA for lowest income households is essential to alleviate housing stress and enable these households to compete in the private rental market. A 30% increase in the maximum rates of Rent Assistance for different household types would increase average rates of payment for all of those who would benefit by \$15 per week (or by an average of \$17 per week for families with children). This would enhance the ability of the lowest income households to compete in the private rental market. It is estimated that a total of 520,000 families would benefit from the change, which would cost between \$400 million to \$500 million if implemented in 2009-10. The gains would be concentrated on low income households paying relatively high private rents, including:

- 181,000 single adults;
- 45,000 couples;

²⁹ Senate Committee on Housing Affordability in Australia, 'A good house is hard to find: Housing affordability in Australia', June 2008 at pg 8.

- 157,000 sole parents; and
- 136,000 couples with children.

Approximately half of those who benefit would be households with gross weekly incomes below \$600 and 70% would have incomes below \$1,000 per week. Of these people:

- over 25% would be Parenting Payment recipients;
- 18% would be Age Pensioners;
- 10% would be on Disability Support Pension; and
- 11% would be on Newstart Allowance.³⁰

³⁰ Among those who would benefit from the change 35% would be from NSW; 28% from QLD; 19% from Victoria; 9% from WA; 5% from SA; 2% from ACT and NT and 1% from TAS.