AROUND THE HOUSE

The newsletter of Shelter NSW ▶ Working for a fair and just housing system

Future directions for social housing in NSW: does this bold policy let itself down?

Adam Farrar, Senior Policy Officer, Shelter NSW

The long-awaited social housing policy – *Future directions for social housing in NSW* – was announced with far more fanfare than most other public housing policy.

Perhaps this was because it was headlined by one part of the strategy – the plan to increase the supply of social housing. More precisely, it was one major initiative in the growth plan – the redevelopment of the Waterloo towers and housing estate – that grabbed the media's attention.

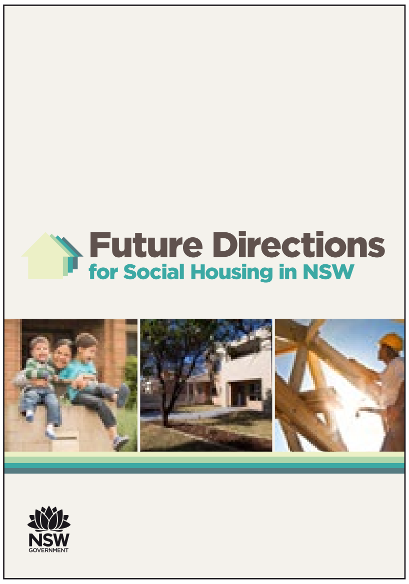
This came hot on the heels of the announcement that the new metro station would be at Waterloo. It would service, not only the replaced and expanded social housing, but the major private residential development that would be made possible by access to the public housing land.

The buy-in to a social housing policy by a Premier who saw it as a win for both his goal of increased development ($22 billion new construction activity) and for increasing social housing supply, also made it a special kind of announcement.

But amid all this excitement, what can we make of *Future Directions*. Is it an exciting new direction – even a breakthrough? Well this is a complex package, and it won't be surprising that there seem to be mixed answers.

The strategy has three parts – and it should be said that bringing these together into an explicit policy is one of its strengths:

- ▶ More social housing
- ▶ More opportunities, support and incentives to build housing independence
- ▶ A better social housing experience


Future Directions
for Social Housing in NSW
NSW GOVERNMENT

Let's consider them one at a time.

For the first time in many years – apart from the Nation Building economic stimulus – the supply of social housing will grow. The redevelopment of key public housing estates, through the already-announced Communities

Continued on page 6.

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In this issue

Future directions for social housing in NSW: does this bold policy let itself down? *1*

Tax reform and affordable housing: good policy vs bad politics *3*

A missed opportunity on affordable housing? *11*

Future Directions – trying to do more with less *13*

Single older women – doing it tough in the rental market! *16*

Future Directions: chapter one of an affordable housing story? *17*

Strong on principles, light on detail – NSW 'strategic housing' announcement *19*

Changing home ownership and growing inequality *21*

Home energy action 2016 to be launched *24*

Around the House

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Tax reform and affordable housing: good policy vs bad politics

Adrian Pisarski, Executive Officer, National Shelter

As the *IChing* says, "perseverance furthers". Not that I subscribe to random-based philosophy.

Since the changes to Capital Gains Tax by Treasurer Costello in 1999, National Shelter has argued they would add inflationary pressure and drive more and more investors to take up negatively geared investments in housing. This would inhibit supply, particularly of affordable rental housing.

This advice always seemed to fall on deaf ears; but we noted a growing number of economists taking up the argument, after examining the building evidence, to call for reforms. In February 2016 the ALP leader Bill Shorten became the first major party leader (after The Greens) to announce major reform of their policy and recognise the negative effects of negative gearing.

Shorten announced that, after July 2017, if elected, a Labor Government would restrict negative gearing (on housing) to investors in new property and would cut the CGT exemption from 50% to 25%. National Shelter welcomed that announcement and has been actively engaged in the media (along with ACOSS, the Grattan Institute, the Australia Institute and prominent economists) welcoming the announcement and supporting the need for reform.

There are different ways in which negative gearing and CGT could be reformed and this announcement still needs to be accompanied by a housing policy and an urban and regional agenda. But it means for the first time in a long time, both tax reform and housing affordability are central to an election. This is a good thing as one hopes that all parties will need a position.

National Shelter calls for tax reform

It should come as no surprise (although it may defy logic) that an active campaign against the reform has been launched by the Property Council, the Housing Institute of Australia (HIA), the Master Builders Association (MBA) and the Real Estate Institute of Australia (REIA), which has also been taken up by the federal government, with PM Turnbull and Treasurer Morrison launching attacks in parliament and through the media.

So let me outline the broad case for reform.

Before Peter Costello asked the Ralph tax review – interestingly a business tax review – to specifically investigate lowering the capital gains tax, investors were charged their full marginal tax rate minus inflation (top rate 48%). It made things more difficult to calculate and complicated.

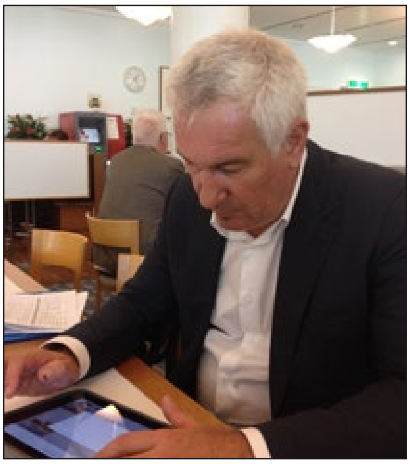
To simplify things, Ralph called for and got a change to CGT treatment – a halving of the rate to 50%; meaning that if a high income earner owned a property for more than a year they would only pay an effective tax of 24% (half the top rate of 48%) on any capital gain.

The effect of this has been to encourage more and more investors into buying investment properties. In the year 2000, just after the Costello reforms, investors' share of housing loan approvals was about 27%. This has now risen to 40%. And last year, for the first time, investors made up a greater proportion of purchasers than owner occupiers.

This drives not just capital gains tax expenditure, but also negative gearing because investors get both CGT exemptions when they sell and negative gearing concessions along the way. Investors take advantage of negative gearing, which allows them to deduct losses caused by their high loan repayments, but are investing in housing because of the expectation of capital growth and the lower tax on that as well.

This has been further supported by low interest rates – meaning we provide massive advantages for investors (who mostly already own existing property and can leverage that to borrow) compared to first time purchasers.

The case for increasing the benefits of CGT discounts and negative gearing has always been to encourage investors into adding supply to the rental market and to keep rents lower than they would be without subsidy. Yields (the return to investors of rent, compared to property value) have always been low in Australia at roughly 4-5% and investors have argued that they need a subsidy to stay in the market. One



Adrian Pisarski

problem with this analysis is that as Australia's housing market has roughly doubled in price each decade over the past 50 years, so yields never get a chance to catch growth in value.

It is astounding to see that before these changes, returns on residential investments were modest, but positive. Since then, they have become deep losses, as rents are swamped by interest on larger and larger borrowings in the expectation of even higher capital gains – only half of which will be taxed.

The problems with CGT discounts and negative gearing are manifold; but to name a few:

- It adds inflationary pressure to the market. Investors prefer to invest overwhelmingly (92%) in existing property which means they bid for the same properties that most owner occupiers want and don't add new supply.
- It has big budget implications. According to the McKell Institute, not reforming negative gearing will cost the budget $51 billion over the next 10 years. If the Labor policy was introduced, McKell argue, there will be savings of nearly $30 billion, just on negative gearing. Recall a year or so ago that Australia had a "budget emergency", a crisis of revenue and a need to put all reform options on the table. One would think these kinds of options would be of interest to a government concerned with falling revenue and large expenditure.
- It hasn't kept a lid on rent rises. Rents have been rising much faster than inflation and incomes, resulting in much of Australia's capital cities becoming increasingly unaffordable to rent. Our own Rental Affordability Index shows that virtually all our cities are unaffordable to households on the lowest 40% of incomes.
- It freezes first time purchasers, young people and lower income households out of the market.

Australia has a shortage of supply, especially low cost rental housing, due to many factors including population growth. But these policy settings, which have a justification of addressing low supply, seem to work against the solution. I argue that the net effect of CGT discounts and negative gearing has been to inhibit new supply (by encouraging investment in existing supply), which is one of the reasons I find campaigns against them unfathomable – even against the interests of the builders who run them.

We are not arguing that tax treatments are the only cause of a lack of supply; and we are not opposed to using tax expenditures to improve housing supply. The National Rental Affordability Scheme is an example of providing a benefit to investors for specific supply of lower cost rental. Our objection to these settings has always been the outcomes they produce.

We also do not favour any particular tenure but argue the need for safe, secure, well located affordable housing with decent amenity is required.

The campaign against reform runs along some usual lines and peddles the same myths Industry has used ever since attention has been given to the need for reform. The Property Council and others argue that rents will rise, property values will fall and the prosperity driven by the property industry is threatened, in short, “The sky is falling!”

As Treasurer, Paul Keating, following the example of that radical socialist government in the US of Ronald Reagan, introduced the notion of “quarantining “ negative gearing. That is to restrict deductions of losses on property to property income, income from the same source as the loss was incurred. What followed was a campaign by the same forces now marshalled against the changes arguing that rents rose dramatically after the change and capital flew from property.

The truth was that rents did rise in Sydney and Perth but in no other capital city, where in fact rents in some cases went down. If the changes were due to policy we would have seen a consistent change in all cities. The flight of capital argument was equally flimsy, as the reality was that share markets were in upheaval at the time and capital was volatile due to other factors not due to Keating’s changes.

Nevertheless, the campaign succeeded and losses (interest cost, maintenance, fees and any other costs exceeding rent) became deductible against any source of income again. And this has continued.

The sad thing about this debate is the lack of rational thought and the application of good public policy in the face of proposed changes.

National Shelter delegation at Parliament House

The coalition government put tax reform on the table and was open to having all options on the table. The Turnbull Government seemed prepared to look at negative gearing, capital gains, superannuation concessions and other elements of tax which all cry out for reform and are widely accepted as providing excessive benefits to those who don’t need them and which could go a long way to solving the budget problems.

Reforms along these lines have been suggested by the previous Henry Tax Review, by the Reserve Bank Governor, by the OECD and by numerous commentators, economists and think tanks.

The ALP has introduced a sensible option for consideration which one would hope could gain considered attention, analysis and response by a government who put tax reform on the national agenda.

Instead we have been subjected to scare mongering, negative politics and the hopes of the nation get dashed against the shallow pool of political games.

At a time when reforms are both sensible and needed, we get retreat and contrarianism from government. It almost seems that once the snouts have been in the trough for too long, the expectation is that the trough should be perpetually renewed and their gorging never constrained and hang the consequences.

The one bright point is that at least tax reform and the need for affordable housing are now election issues, and National Shelter is glad of that. It shows that beating one’s head against brick walls occasionally causes cracks and, who knows, walls might even tumble over.

Future directions for social housing in NSW: does this bold policy let itself down?

Continued from page 1.

Plus process, is planned to deliver 6,000 additional social housing homes over 10 years. It will also deliver 17,500 newly constructed homes to replace those that will be demolished. And to fund all this, the public housing land will be sold to developers, who could produce over 53,000 further private dwellings on redeveloped public housing land.

The increase reverses the long run decline in social housing in NSW. It also provides for the renewal of 14% of public housing properties, leading to important reductions in structural maintenance costs, thereby improving the overall sustainability of public housing finance.

Shelter welcomes this and congratulates the Government on the turn around.

But we should also step back a little to put it in perspective. Set against the background of long term (20 year) stagnation and decline, it is clearly exciting. Set against the current undersupply of affordable housing (130,000 rental units affordable to low income households), 6,000 units over 10 years is very modest. It is also modest compared to the first 50 years during which public housing in NSW grew at an average of 3,000 a year.

In our 10 key issues for the last state election, Shelter said "We need a new government to commit to a sustained 'boost' in both the private and public rental markets that would seriously work towards the target of 100,000 additional affordable rental housing (starting with at least 20,000 extra units of social housing dwellings over 10 years). We can rise to this challenge if government makes housing a priority once again, and acts on a number of fronts at once."

Growing appetite for inner-city residential development

We called for the 'social housing boost' of 20,000 dwellings to be additional to any improvements in the 'portfolio strategy' that was then under development.

So we are pleased that the new policy commits to a 10 year program. But will the level of growth planned take us far towards the structural improvement in rental housing supply needed?

Well we must be fair. As well as this growth through the social housing policy, the recently announced Social and Affordable Housing Fund (SAHF) will deliver 3,000 more homes (mainly social housing) over the next 3 year years. And this is intended to be only the first round of development under the fund.

As an aside, it is worth noting that, while a strength of the policy is that it brings together growth, good management and the creation of new opportunities for tenants, there is still an element of fragmentation in the fact that the SAHF was not integrated into the policy.

So over the 10 year program of *Future Directions* growth, it is not too optimistic to expect 10,000 units to be delivered under SAHF, bringing the overall increase to 16,000. This is even less than Shelter's very modest pre-election ask, and will barely touch the undersupply of rental housing that is affordable and available to low-income renters. But it is a definite start.

That being said, we must also consider how the 6,000 new social housing dwellings promised in *Future Directions* is to be achieved.

Acknowledging that we lack details, it appears that the model is pretty similar to many other social housing 'public private partnerships' or just 'partnerships' that have had a mixed record of success over the past couple of decades. Private developers will redevelop public housing estates, returning social housing to the government and housing to the private market by increasing the density significantly.

But there is one big difference. The dramatic increase in land values and the huge appetite for well-located land means that the returns and density possible will allow replacement and new social housing. The mix will vary from site to site. In effect, the government is selling off the larger proportion of the very high value land in the best located public housing estates, to replace and increase (by 35%) the social housing on these estates.

In principle, the process of increasing density to increase yield will work anywhere. But if it is being funded by the effective sale of land to developers (who also deliver the new social housing), then there must be significant demand for the new denser housing. So this 'growth strategy' has selective application. On the positive side, it means that increased supply can occur in areas that were previously too costly.

The sale of public assets to fund public projects has become an increasingly common strategy. But we should be clear that it comes at a cost. First, the approach is one off. Once sold, the capacity to redevelop to increase supply is gone. (And it is unclear whether the new multi-unit developments will be the same as or less than the previous value on the state balance sheet.) But the demand for social housing is growing. Over the 10 years of the policy, social housing will grow by 3% through redevelopment. Over the same period, the state population is projected to grow by 16%.

There are real benefits from the growth approach of Communities Plus and *Future Directions*, not least the savings on maintenance by renewing 14% of the stock and bringing growth into areas previously too expensive. But the small, one-off, growth will do very little to help with the real demand challenge for the social housing system and for low-income households.

It should be acknowledged that previous estate redevelopment projects delivered or led by government have had poor record of stop: start activity and undelivered promises. But there are big risks in shifting responsibility to the private sector too.

At Bonnyrigg, failure in other parts of the developer's business saw them go under, leaving the redevelopment high and dry. In the enthusiastically cited redevelopment of the Elephant and Castle Estate in London by Sydney developer Lendlease, the 30% social housing promised became 3%, being replaced by affordable housing at twice the rents. At Barangaroo, there was talk of moving the affordable housing that was a part of the winning bid off-site.

Then there is the goal of social mix. This is one of the rationales for such redevelopment – with its apocryphal 30:70 social: private split. There may well be benefit in living in communities where economic engagement is common, and (particularly for young people) a future can be imagined. But this depends on physical integration of social housing households with the households in the overall redevelopment. It also depends on the ways in which the amenity can be shared and work for everyone in the mixed community.

This is a fundamental objective, and it will not be enough to simply see what the market brings forward. The easy solution of quarantining the social housing in a specific section of the development, for example, will do nothing to overcome exclusion. Any success of the policy will mean being explicit about this requirement and strong governance to ensure it is met.

But there are other forms of exclusion. Replacing existing community facilities and services generally, with ones that are priced to a high income market will actually increase exclusion and reduce opportunity and social capital. Avoiding this will require facilities in the redeveloped precincts that are rather different to those that would normally be brought to market by developers.

It is also worth noting that the kind of redevelopments being considered – particularly those close to the city – will generate a huge increase in economic activity. The government should ensure that it shares in the value that comes from that; and with this, funds reinvestment into community infrastructure that meets the needs of low-income households.

The big issue, however, is how the relocation of whole communities is managed.

We have to be very clear that this approach has two prices – the price of the land sold off to fund the renewal and growth of social housing, and the heavy price paid by the tenants whose lives and communities are shattered.

Sometimes renewal comes to communities that are already run-down and struggling – and to be offered much better alternatives, even if it means temporary or even permanent relocation, might be welcome. But this is far less typical than it is often painted. Take the showpiece of the recent announcement, the Waterloo public housing community.

While it has certainly been a challenging place to live in the past, the units have been reconfigured, the surroundings have been improved, there are new community gardens, and new building management approaches have solved some of the previous social problems. Some parts of the community have strong investment in their homes.

Will things be better if social housing tenants' new homes are in indistinguishable apartments to those of the affluent inner ring apartment dwellers? Well the jury is out on that. Will the affluent vibe compensate for the loss of community gardens to increased density?

And in fact there is no guarantee that tenants will return. This is not to doubt the government's commitment to make this possible. But many tenants – particularly older tenants – might simply not be able to face yet another move to return to a place they were pushed out of some years before. Nor will tenants be returning to their old neighbours, their gardens – their homes.

For some older tenants – as it is probably fair to say we've seen in the recent destruction of the Rocks community – this disruption and dislocation can be the thing that finally makes it too hard to maintain independent living. For them, the price is the final indignity of aged care.

Of course all of this can be handled in a way that minimises the inevitable trauma. It can be preceded by a social impact study, to help chart the least harmful path. Tenants can be engaged early and genuinely in the master planning process to create a community that provides for their vision as well as the market.

Redevelopments can be carefully staged so that few tenants move at any one time, buildings are not left empty, and the community evolves towards its new form. (But can this be achieved at Waterloo when the tower blocks are to come down – despite the 17 – 20 year timeframe for the whole redevelopment?)

These are the things we need to see happen before we can see whether it is yet again the most disadvantaged that pay for both the government savings and developers' profits.

One final comment on growth and redevelopment – although one that I'll come back to later as well. This approach provides social and affordable housing as part of large private sector developments on highly prized government land. But this is *driven* by a wish to increase the level of market housing and reduce the proportion of social housing.

If that's appropriate here, we have a right to ask why we aren't seeing the converse – with equally large *affordable* housing quotas ('value sharing', 'inclusionary zoning') in new private market developments, to help meet our massive undersupply of affordable rental housing for low income households and replace the low-cost private stock often lost to make way for new up-market apartments. This would mean a coherent, whole of government, affordable housing strategy.

So what of the second part of the *Future Directions* – the creation of opportunity for social housing tenants?

Well there are some very positive elements. These recognise the need for what used to be called 'housing plus' in the UK. This is the work that spins off from the unique form of engagement that a social landlord has with its tenants, across time and across the changing circumstances of their lives – changes that very often affect and are affected by housing.

It means finding ways to allow older tenants or tenants with a disability to maintain independent living and engagement in the community. It means helping to support the community links that engage tenants and then find new ways to realise opportunities. It means providing some of these opportunities – for employment, for learning, for participation. And it means using its unique position to have effective access to information, referral and partnerships that make services and supports needed to varying degrees by many tenants, work really effectively.

There have been inspiring examples of this on various public housing estates in the past. There are great examples in most community housing providers now. But too often they have fallen apart with a change in policy direction. And while community housing has made this a point of differentiation, its level of engagement and support is still modest.

So if the policy means a ramping up of effort and sustaining this, then it will be a great step forward.

I don't mean to doubt the genuineness of the policy intent, but the discussion in the *Future Directions* paper doesn't seem to be about quite what I've just described – or perhaps only in places. I'll just mention the one's I can see in *Future Directions* that come closest.

- Remove disincentives for tenants to get employment – although this includes reviewing rent policies with a hint that this might be achieved by reducing affordability.

- Increase educational and employment opportunities for young people and families with children. This includes modest (sometimes trial) measures, most of which are valuable.

  There are two different job creation programs, investment in early childhood centres, better allocations and joint research with the Dept of Education, and TAFE scholarships through the Dept of Industry. It also includes Personal Support Plans, which have been successful in some programs for young people, but which raise some real questions about how they would be used more generally.

- A suite of measures delivered through Health – from a mothers and babies program, to improved alignment of mental health services, domestic violence services and drug and alcohol services.

- Scoping and investigating Place Plans in some communities – including improving amenity, and building resilience and community engagement.

But apart from the last initiative, the focus of *Future Directions* seems to be on individual support – providing better access to it or requiring tenants to enter plans to manage it. Far less seems to be on what we once called community development – creating the social space that allows people to forge their opportunities and live genuinely independent lives.

While it is crucial for support (including personal support planning) to be *available* for people, let's be clear that these are needed by a minority of social housing tenants, whether they want to live independent lives in social housing or to find new opportunities that could offer a different path. For very many, social housing provides relief from poverty and a deeply insecure labour market (particularly at the lower end), rather than personal capacity.

The emphasis on enabling young people to envisage, and supporting them to achieve, rewarding independent lives is clearly right. The new aims of improving educational outcomes for students in social housing; reducing the number of children from social housing who take on their own tenancy; and increasing the proportion of young people who move from specialist homelessness services to long-term accommodation by 10%, are very positive. In general, many homeless people will need support to overcome the effects of homelessness.

But let's not see these as the model for social housing tenants in general. An approach that assumes that the possible needs

of every tenant who enters social housing are recognised is good housing management. But one that expects most tenants to enter into personal support agreements, misunderstands the needs of social housing tenants generally and the way in which good housing management can add value.

Given this point, let's digress for a moment into the third part of the policy – a better social housing experience. This includes the 'place making' mentioned earlier, improved maintenance (which oddly seems to suggest that driving greater efficiencies from contractors might improve service quality), and exploring ways to improve regional social housing options – including shared equity loans targeted to regional home ownership.

But it also has two other aspects that deserve comment. The first is better customer service. This is urgently needed. Tenant satisfaction with public housing in NSW was significantly lower than other states in the last social housing survey. In recent Shelter studies, tenants have complained of the loss of local presence and hands on tenancy management. However, the prescription of better on-line, text and self-service options seems to miss this fundamental point.

And then there is 'safety and stability'. This is the recent introduction of a 'three strikes policy' which we have expressed deep concerns about in past issues. And there is the introduction of bonds for tenants. This simply continues the practice of pushing the risks of housing provision onto those who can least bear them. It is a convoluted logic that suggests that this is "helping to prepare for transition to the private rental market" – a market most public tenants understand far better than our political decision-makers.

This brings us back to the other major target set in the second ('building independence') part of *Future Directions* – to increase the number of households successfully transitioning out of social housing by 5% over three years. This is an attempt to deal with the waiting list and the demand for social housing by churning people back into the private rental market.

There is a very positive aspect to this. It is to be supported by significantly enhancing the suite of private rental assistance 'products' available to people who would otherwise struggle in the private rental market. However, such products remain relatively short term.

This can make a huge difference for people who face a short term crisis or change of circumstances. But it will not resolve the brute fact that for most renters in the bottom 40% of incomes, renting is not affordable or secure. The impact in terms of the disruption of children's schooling with each move, the concentration of disadvantage in locations where rents are cheaper, the need to go without to pay the rent – including going without meals – is simply not acceptable.

Let's be clear. Not many low-income workers, helped to re-enter the labour market by the programs offered through *Future Directions*, will be in jobs that put them into middle incomes. But it's only there that private rents become manageable.

Rather than manage the waiting lists by aiming to move people back into a failing private rental market, we need government policy that works to create secure affordable rental. This takes a two-pronged strategy as part of a whole of government affordable housing strategy. One is to reform the private rental market to limit rent increases and increase secure occupancy. We have an opportunity now, with the current review of the Residential Tenancies Act. Another is to drive increased supply of affordable rental housing.

It is true that, while modest, the new Social and Affordable Housing Fund (SAHF) might begin a process of financing a growing supply of low-cost housing. It is also true that *Future Directions* identifies a range of ways to help expand affordable housing – through the SAHF, in Communities Plus redevelopments, working with the Dept of Industry to identify crown land for future social housing, and working with councils and the Commonwealth to support affordable housing.

But this is simply a patchwork of possibilities. Without a clear affordable housing strategy, with value sharing of development windfalls through the planning system (which Shelter has called for in its *10 key issues*), systematic supply of land for low cost rental, a pipeline of finance – including government subsidies – there will be a fatal policy hole in *Future Directions for Social Housing in NSW.*

A missed opportunity on affordable housing?

Katherine McKernan & Digby Hughes, CEO & Senior Policy Officer, Homelessness NSW

For too long social housing in NSW has been ignored.

At a time when the population of NSW has increased by over 1 million people the number of social housing dwellings has fallen in real terms by over 20,000 properties. We now have over 60,000 people on the waitlist, with many locations having wait times of over 10 years – effectively forcing people who require housing due to poverty and are without complex needs into limbo.

This lack of social housing has also seen homeless numbers significantly increase. The most recent City of Sydney Street Count found 486 people sleeping rough; the highest number since Street Counts commenced in 2010. And, the 2011 Census found people living in overcrowded dwellings had increased to 34% of the homeless population in NSW.

This is at a time when the cost of private rental is also unaffordable. The 2015 Anglicare Sydney's Rental Affordability Snapshot analysed 14,036 properties that were available in Greater Sydney on the weekend of 11-12 April 2015. Of the properties advertised only 58 were affordable and appropriate for households on income support payments without placing them into rental stress. This is clearly unsustainable if we are to house everybody who needs a house.

Need to increase affordable housing (Photo courtesy Bridge Housing)

Consequently, Homelessness NSW welcomes the *Future Directions for Social Housing* strategy as the first step for a long time in the right direction. There are many positives in the paper that we are pleased to acknowledge.

The first of these is a change in the public discourse that recognises and understands that some people will always need social housing. For them it is not a staging post while they seek out affordable private rental. These are people with complex needs or who are ageing and this acknowledgement by the Government that social housing is required by these people is welcome.

Secondly we are pleased to see the commitment to increasing social housing stock by 6,000 and replacing 17,000 properties. This is much needed as evidenced by the size of the wait list, but clearly just a small step to addressing the current demand for social housing.

The increased rental subsidies for young people and people who have experienced domestic violence are also welcome. These are two groups who will always have difficulty in private rental, and for many of them social housing is not the appropriate answer either.

For many years, Homelessness NSW has been raising with governments the lack of cooperation and collaboration between government agencies and how this often leads to homelessness for individuals who fall through the gaps. Accordingly we were excited to see the commitment in the *Future Directions for Social Housing* strategy from agencies such as Health to support social housing tenants. We know that this will lead to fewer evictions.

While we welcome the strategy, we believe it also includes some elements that will need monitoring to ensure they don't contribute to homelessness or create barriers.

The first of these is the introduction of bonds (with long term rather than upfront payment). Homeless people accessing social housing have limited incomes and so requiring them to contribute to a bond may place further burden on them.

Likewise we are concerned with the anti-social behaviour strategy. We appreciate the acknowledgement in the strategy that eviction may not lead to homelessness, but believe that punitive procedures are not productive in the vast majority of instances.

The new expectations around education & employment and transitioning out of social housing for people identified as eligible for this will also need close monitoring to ensure that people are not being set up to fail and have their housing contingent on their ability to access education and employment, in limited job markets.

As said before we welcome the 6,000 new properties, but clearly this will not address the current or future demand for social and affordable housing. We will continue to advocate for the introduction of an affordable housing strategy so that other policy options such as inclusionary zoning can be utilised to increase available affordable housing including access for homeless people to the private rental market as well as social housing.

We also believe that FACS should engage in the current review of the Residential Tenancies Act and advocate for the cessation of no cause evictions as well as consideration of a system of incentives for landlords to agree to longer term leases for older tenants.

We believe that the *Future Directions* is a missed opportunity to link with broader government strategies, including the Premier's priority of reducing youth homelessness and reducing domestic and family violence recidivism. It would be good to see some work undertaken that connects both the youth and Start Safely subsidies in particular with these priorities.

There are also questions on how eligibility for the rental assistance products will be assessed and exits from the products be managed. This will require astute management to ensure we are not cycling people back into homelessness or at risk of homelessness.

We also have questions as to how the homelessness service system and the social housing system can best work together to manage housing and homelessness issues during a period of relocation and redevelopment. It will be important for the social housing and homelessness service systems to work closely during this period to help manage the potential impact of this on homeless people and people at risk of homelessness.

To ensure that the implementation of *Future Directions* meets the needs of people at risk of and experiencing homelessness, Homelessness NSW would be more than pleased to engage in ongoing conversation with the government and FACS on these issues.

Future Directions – trying to do more with less

Ned Cutcher, Senior Policy Officer, the Tenants' Union of NSW

Social housing in New South Wales is a system in decline. Even with the "once in a lifetime" investment in new supply, tied to the stimulus package that helped steer Australia through the global financial crisis in 2009 and 2010, our social housing portfolio has not kept pace with demand. In real terms, the portfolio is smaller today than it was a decade ago.

The reasons for this can be traced back to the other end of the housing spectrum, where owner-occupiers are rewarded for their financial discipline with a waiver of capital gains tax upon sale. Tax on income from work or savings is not similarly exempt, so the capital gains tax exemption creates an incentive for those of sufficient means to direct their resources towards a primary housing asset.

This increases the appeal of home-ownership, and the value of a home, so prices go up. In effect, owner-occupiers receive simultaneous windfalls as their housing wealth increases and their tax burden decreases within a series of transactions.

These highly valued homes appeal to another kind of buyer, and our tax system is generous to property investors as well. Orthodox accounting logic says that the cost of an investment should be deductable against investment income, but Australian landlords may deduct their property related losses against salaries and wages too. They are able to reduce their overall tax burden, not just the liabilities arising from investment income. And landlords are also entitled to a capital gains tax exemption, at half the going rate. This means their already subsidised losses will be adequately covered in the long run assuming property prices continue to rise.

Now, with owner-occupiers and landlords driving up the value of Australia's homes, our social housing portfolios have become quite valuable too. In the process they have become very expensive to expand, as new homes cost more and more to acquire. We can think of this as the "supply challenge".

At the same time, high prices have seen first home buyers retreat from the housing market, leaving increasing numbers of high – and middle-income households to rely on the private rental market for shelter. Low-income households have been crowded out, and many look to social housing to meet their needs. We can think of this as the "demand problem".

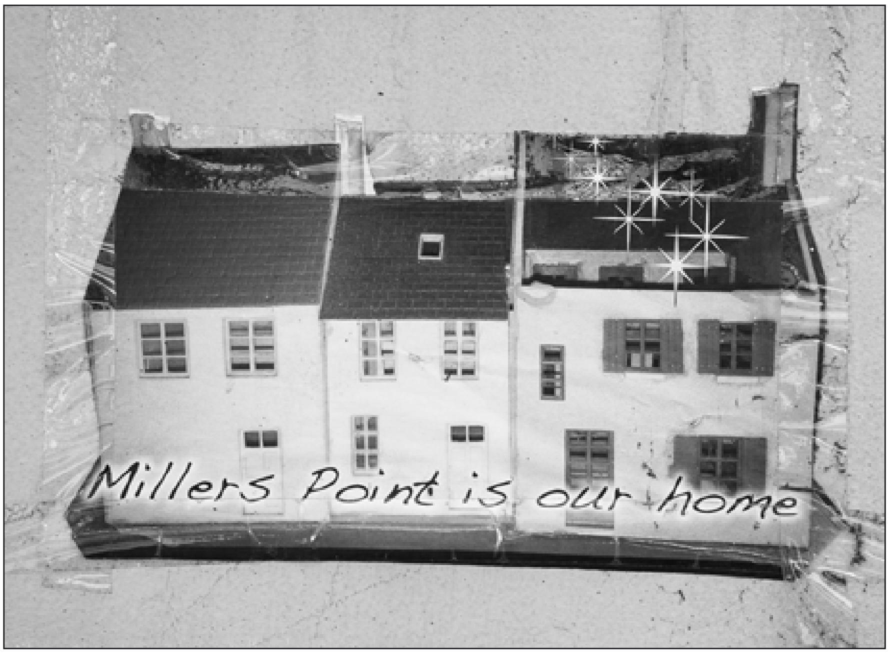
The combined effect of these two challenges is a social housing system in decline. Providers and policy makers in New South Wales have responded to these challenges by trying to do more with less – changing the way they administer their portfolios in an attempt to maximise their use.

This has involved the calculated policy of selling off housing stock that is "no longer fit for purpose", whatever that means, and putting the inflated proceeds towards social housing in neighbourhoods of lower value. It has also involved the targeting of housing assistance to those with increasingly high needs, making our social housing portfolios meaningless to all but the most desperate of folks on the waiting list.

Oh, and the tenants who already live in social housing, of course. It can be easy to forget about them. Our providers, policy makers and tabloid news outlets often divert our attention away from the people that have already been housed, unless it is to remind us that they are now just getting in the way. Desperate people need those homes, after all, so they can stop being desperate and move on.

So comprised, this is a system that routinely fails to meet the needs of those who would rely on it. To make matters worse, it is completely unsustainable. New ideas and new solutions are needed to arrest this spiral of decline. Enter *Future Directions for Social Housing*, the New South Wales Government's new vision for growing and managing the social housing portfolio.

In fairness to those who have drafted it, the reasons for this declining system are well and truly beyond their control. They



Tenants say moving has made them anxious, they miss their old neighbours & support networks

were asked to develop a strategy that could deliver something new and useful within a framework that is old and decrepit. In some regards, they haven't done a terrible job. But even before it was produced there were limits to what this strategy could do.

Future Directions for Social Housing sets out three strategic priorities – more social housing, more opportunities to leave or stay away from social housing, and a better experience for those in social housing. Each of these comes with a long list of work that is yet to be done. For whatever the outcome, much of that work will present some degree of disruption to tenants and those in line for social housing assistance.

Under the plan to build more social housing, new funding frameworks known as Communities Plus and the Social and Affordable Housing Fund are expected to deliver 23,000 new and renewed homes over ten years. These frameworks share a common theme of offering private developers unspecified incentives to build new dwellings, according to the Government's brief. This means integrated "mixed communities", where the developers will retain around 70 per cent of newly built stock, and 30 per cent will be offered back to the social housing portfolio.

Whether the private sector will deliver on these terms, and what else it might ask for in return, remain to be seen. As they say, that will be up to the market. But as we start to unpack this, we can still see that old strategy of selling off high value social housing assets – land that's close to public transport, for instance – in order to fund the development of lower value social housing assets. It's difficult to see how this new approach will be any more sustainable than the last.

Even so, around 9,000 of these 23,000 innovatively funded dwellings will be new to the portfolio, and from some angles this looks like a good start. But many existing neighbourhoods will be redeveloped to make up the remainder, such as those already announced in Macquarie Park, Waterloo and Telopea. From this angle, it looks like the last days are coming for some long-established public housing communities. To be clear, tenants whose properties are earmarked for renewal will be given the opportunity to return, but what they come home to will be different from the neighbourhoods and communities they leave behind.

Of course, tenants will have to be moved from their existing homes so new neighbourhoods can be constructed. This comes with all the usual assurances from social housing landlords that they are now well versed in this sort of thing. Their specialist teams can move whole suburbs with sensitivity, courtesy and respect, and tenants are always so happy in their new homes!

Only, we've spoken to tenants who've been through it all before, and they tell us that moving has made them anxious, they miss their old neighbours and supports networks, and they wish they'd had another option. When relocation is imposed upon tenants, it's pretty tough no matter how good the process is. They don't tell their landlords this, because after all, what difference could it make? Unfortunately these landlords rarely stop to ask, which means the "best practice" guides can get a little skewed.

Then there is the plan to provide more opportunities, support and incentives to "build housing independence" through leaving social housing, or indeed staying away from it altogether. This includes an expansion of “private rental subsidy” products, and introducing some kind of a “mutual obligation” scheme for tenants and applicants for housing assistance.

This would require recipients, and potential recipients, to engage in support programs in order to remain eligible for assistance, and to one day “achieve independence” by moving on from their social housing tenancy or application. Again, as we unpack this, we’re reminded that our social housing portfolio is really for those on the waiting list and not the tenants who live within it. Although now we might add that even for those trying to get onto the waiting list, social housing might not be for you, either.

Evidently, housing independence means surviving in the private rental market, where 78 per cent of low-income households pay more than a third of their income in rent, and where tenants are chronically worried about what they will do if their landlord brings their tenancy to an end. The opportunity to dovetail this strategic priority with the current review of renting laws in New South Wales seems to have passed by unnoticed, though it would make a lot of sense to consider this. Opportunities, support and incentives can be quickly reduced to nothing if your rent becomes unaffordable, or you’re required to find a new home and relocate within three months of receiving your notice.

We must acknowledge there are some positive things being considered within this strategic priority, such as the commitment to remove policies that contribute to work disincentives for tenants in public housing. Indeed, the expansion of assistance for some tenants in the private rental market, and a greater focus on providing education and employment opportunities for social housing tenants will take parts of our system in a sensible direction.

But while such reforms remain couched in the notion that a tenant cannot achieve “housing independence” until they’re ready to try their luck in the private rental market, a critical point is being is being missed: if the result of your independence is that you will be thrown to the wolves, then opportunities, support and incentives may be all too frequently overlooked.

The third strategic priority area sits somewhat uncomfortably against the second. It promises a “better social housing experience”, and is tacit acknowledgement that indeed, tenants *do* live here. Improvements to customer service and new repairs and maintenance contracts may lead to a better “customer experience”, but ultimately the idea that tenants are better off outside of the social housing system prevails within the *Future Directions* document.

For those who will remain, a harsh approach to resolving neighbourhood disagreements now applies, giving encouragement to tenants who would rather complain to their landlord than search for neighbourly solutions. Then there are the promised introduction of rental bonds for new tenants – ignoring the issue of social housing landlords’ sometimes claiming costs they are not entitled to at the end of a tenancy – and a scheme that would allow social housing landlords to deduct rent payments directly from social security payments – ignoring the issue that tenants always need to have control over their money.

Whether or not it’s being pushed in the right direction might be a matter of some conjecture. Perhaps we should just be pleased that social housing in New South Wales has any kind offuture at all.

Single older women – doing it tough in the rental market!

Mary Perkins, Executive Officer, Shelter NSW

International Women's Day 2016 – a good time to make the housing needs of older single women visible!

Many older single women are 'doing it very tough'. As our housing gets more and more expensive, the numbers of homeless single women are increasing. Census data in 2011 identified 36% of older homeless people as women.

Many older women who are homeless have not generally had a history of homelessness, or associated problems relating to mental health, drugs or alcohol. They become homeless because of unemployment, illness or family crises such as separation, widowhood or domestic violence. Generally their housing problems result from poverty.

Older single women are especially vulnerable to poverty-related homelessness because throughout their working lives, their incomes have been lower than the men of their generation, they have had time out of work to raise families, or they've worked part time, often for the same reason, and they are not the beneficiaries of the superannuation system.

Homelessness amongst older single women is hidden from the public eye. These women are not generally found sleeping rough, but can be found in a variety of accommodations: living in backpacker hostels, cars, caravan parks, or lounge surfing.

The social housing system is targeted to those most in need, this most often equates to a person demonstrating they are rough sleeping and or experiencing problems in addition to financial hardship. This means the housing needs of single older women who are simply poor enough to experience difficulty housing themselves in the private rental market are not adequately addressed by either government policy or the service system.

A group of non-government agencies concerned about the increasing numbers of homeless older women developed a set of strategies designed to address the need of older single women. The Plan for Change : Homes for older women proposes a series of

initiatives to provide safe, secure and affordable housing. The plan was well received by the minister for Social Housing Brad Hazzard and attracted considerable media attention. It can be found on Shelter's website.

Who are these women? What are their stories?

A woman in her late 60s lost her partner and her home to divorce 4 years ago. She is living in a retirement village as a renter, however the unit is on the market and she has been given a 'notice of termination'. She has been unable to find alternative housing. She talks often about her loss of security and fear of the future.

A 60 year old woman who has been working all he life had to leave the private rental she'd had for eleven years because she could no longer afford the rent. She searched for over 12 months for cheaper property, eventually finding a small flat in bad condition. Because she was working (albeit on a lowish income) she was ineligible for social housing.

A 57 year old woman had been living with her sister since the death of her husband 18 months earlier. She'd been a stay at home mother and wife and hadn't worked for 30 years. She had little in the way of money – she and her husband has always rented and had relied on his income. When he died she could no longer afford the rent and moved to her sister's. However her sister's house was too small and their relationship became strained. After a period of transitional housing sharing rooms she moved in to a less than acceptable boarding house.

Future Directions: chapter one of an affordable housing story?

Wendy Heyhurst, CEO, NSW Federation of Housing Associations

Is 2016 going to be the year that we get some seriously good policy to tackle the housing affordability crisis in NSW?

2015 was a year of rocketing house prices locking out tens of thousands more Sydneysiders from the home ownership dream. For many renters, household budgets were further stretched as property costs yet again out-paced inflation. And for the tens of thousands registered for a public housing tenancy, typical waiting times have extended to more than 10 years.

2016 has started positively with the publication of Future Directions, the NSW Government's strategy for social housing and the Commonwealth Government re-engaging with the unaffordability issue through the establishment of its Affordable Housing Working Group to examine "innovative ways to improve the availability of affordable housing".

So what difference could Future Directions make? Its focus is very much on transforming public housing, assisting those tenants described as 'the opportunity cohort' to move on to other accommodation, and improving the services all social housing tenants receive. Many of the document's proposals should have an impact, so long as they are well-designed in collaboration with the organisations who are expected to help deliver the results.

Transferring management of further properties to the community housing providers will unlock many benefits. The sector can leverage precious tax-payer funds, delivering more homes per dollar. Unlike public housing, community housing can use its asset base to attract private finance and build more homes. It is more financially sustainable than public housing because tenants are eligible for Commonwealth Rent Assistance. The sector's charitable status makes it exempt from GST, land tax and stamp duty and also helps attract philanthropic donations. It invests its surpluses back into new homes, better services and maintaining properties instead of paying private sector salaries or dividends to shareholders. Add to that the sector's high tenant satisfaction rates and an increasing number of work programs, training and counselling services on offer and a number of boxes are ticked.

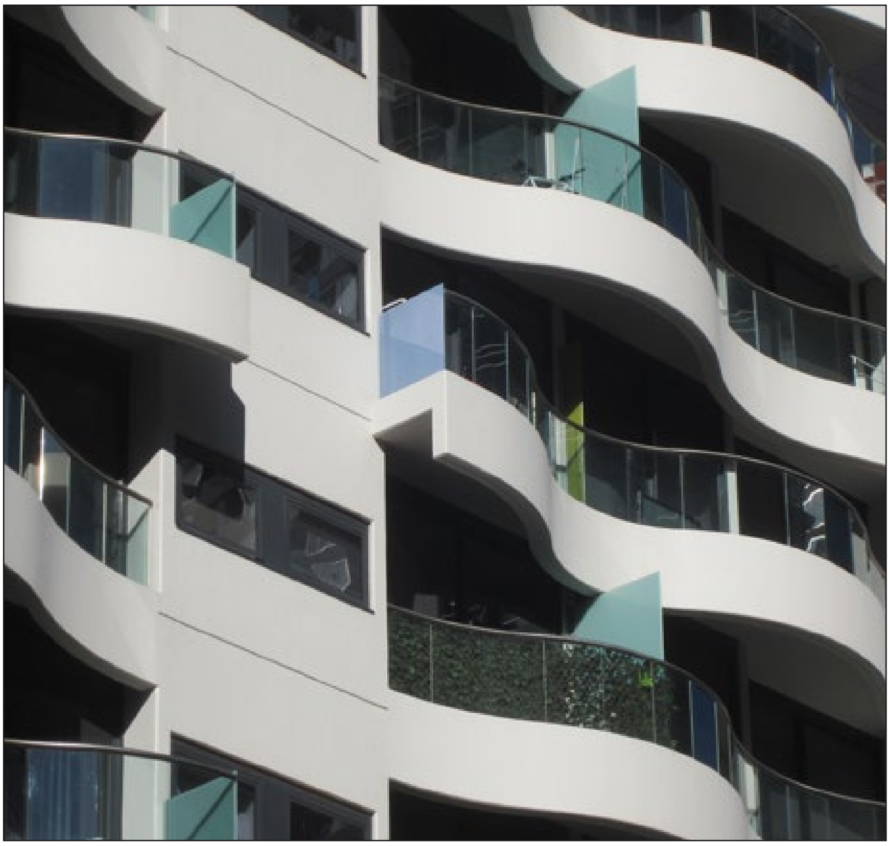
It's also great news this week that Future Directions makes good on the Premier's pre-election pledge for a fund to generate $1billion in social and affordable housing investment. This is the first serious initiative of this type since the Commonwealth's 2008 National Rental Affordability Scheme. This could conceivably bridge the yield gap between what net income is generated from social and affordable rents – after spending on management – to pay what investors expect in returns.

Then, through Communities Plus, the government intends to revitalise its social housing portfolio over the next ten years through a series of re-development projects in partnership with the 'private and non – government sectors'.

These 'big ticket' items are a great start but as currently conceived they will have only a marginal impact on the housing affordability crisis. The sum total of additional new social and affordable housing Future Directions are projected to realise are 9,500 in ten years. This is just a drop in the ocean of what's needed.

Conservative estimates based on a 2014 Swinburne University study suggest that NSW needs between 30,000 and 67,000 more homes for low-income households right now. And that's without factoring in our growing population.

Laudable as the aims are in Future Directions to enable people to move on from social housing, the question remains, where can they go? Here in NSW what we really need is a long-term, evidence-based housing strategy that makes full use of all these and other measures to support investment in affordable and social housing in the long term. Simply relying on more housing supply isn't sufficient.



The Federation would like to see informed strategic plans at every level of government that integrate initiatives and which are underpinned by robust information about housing needs information; affordable housing targets cascading from the national to local levels and a planning system that supports the delivery of affordable housing through – for example – inclusionary zoning and / or another value-sharing mechanism. The use of government land to enable the delivery of affordable housing should be optimised.

The social and affordable housing fund should transition into something more long-term which is targeted at community housing providers to enable them to leverage additional private investment to deliver a pipeline of projects. Plans to transfer properties to the community housing sector should be scaled up, should involve the vesting of title, and a more ambitious target set. Together these initiatives will trigger large scale investment in new affordable housing.

We think it can be afforded. Thanks to our recent property boom, the NSW Treasury last year netted $5.7 billion in house sales stamp duty – $3 billion more than in 2011/12. Over four years this will add up to a $12 billion windfall in property-related income. Affordable housing is essential infrastructure that makes our economy run well. Well located and designed affordable housing generates jobs, provides a stable base from which many people can become independent and enables savings in other social and health services.

Future Directions is chapter one of a potentially great story.

Strong on principles, light on detail – NSW ‘strategic housing’ announcement

Hal Pawson and Vivienne Milligan, City Futures Research Centre, UNSW

Additional supply, more effective use of the stock and better tenant support – who can argue with these central objectives declared in the NSW Government’s recently published, Future Directions for Social Housing in NSW’? But how do the document’s concrete commitments actually measure up against these stated goals?

Boosting social and affordable housing supply?

Government plans will, according to the paper, result in a $22 billion housebuilding program and ‘up to 23,000 new and replacement social housing dwellings’. In the context of a social housing system currently encompassing around 147,000 homes, this new build ‘target’ certainly sounds appreciable. Subsequently, however, it has been disclosed that the vast bulk of the promised 23,000 newly built homes (17,000) are designated to replace dwellings cleared in estate renewal projects under the already announced Communities Plus program.

In terms of genuine additions to the stock the projected number (to be achieved over 10 years) is therefore only 6,000. Also allowing for projected output from (phase 1 of) the already announced Social and Affordable Housing Fund (SAHF) the total rises to 9,000. However, while promising to add to the state’s social and affordable housing stock in numerical terms this level of output (even if achieved) this will fall a long way short of preventing an effective continuing decline.

Social housing in NSW had, by 2011, dropped to under 5% of all housing. Simply maintaining this share over a decade would imply the need for a net addition to the social housing stock of at least 25,000 homes. Only through a dramatic ramping-up of the SAHF or through some other yet-to-be-revealed mechanism (e.g. meaningful planning gain derived from all large scale developments) could the 14,000 home gap be closed.

Transitioning tenants out of social housing

In maximising the system’s capacity to meet housing need, Future Directions proceeds along the track that ministers have been following since the 2005 introduction of fixed term agreements for public housing tenancies. That is, the conviction that there is further scope to free up social housing occupancy by ‘transitioning’ more able tenants out of the sector – primarily into private tenancies.

In this vein, the document highlights as one of its ‘three strategic priorities’ the aspiration to provide ‘more opportunities, support and incentives to avoid and/or leave social housing’ (p5). Some of the associated proposals – e.g. an independent review of rent setting to consider, among other issues, work disincentives – will be welcomed in the industry.

Future Directions rightly acknowledges that many social housing residents are ‘people who require support for an extended period’ (e.g. low income earners already above working age). Certainly, public and community housing tenants will also include some others with the scope to be helped to ‘transition’ out of the sector – so called ‘opportunity’ tenants in the Government’s language. Recognising that positive incentives will be needed here, the paper constructively suggests introducing 3-year top-up rent subsidies (historically restricted to those priority-approved clients FACS is unable to house due to their specific needs). The downside of the proposed approach is that if it doesn’t work it’s a very costly alternative in the longer run.

But while recognising the equity logic of working to ‘create more space’ for the most needy housing applicants, there are real questions about the scope for significant gains from such an approach. Future Directions fails to hazard any guess on the split between ‘safety net tenants’ and ‘opportunity tenants’. However, according to the Government’s own Social Housing Discussion paper (2014) more than two thirds of NSW public housing tenants are aged or disabled (reliant on the age pension or disability pension as their prime source of income).

Constructively, however, Future Directions highlights a range of initiatives intended to assist social housing tenants enter or re-connect with employment. These include the negotiation of personal support plans to set job-capable tenants on a path towards work, investment in early childhood centres close to social housing estates and home visiting for mothers and babies living in the sector. Perhaps potentially of most interest is the pledge to increase free TAFE scholarships targeted to social housing tenants (albeit that the ethics of tenure-based targeting for such support seem somewhat questionable).

Nevertheless, as worthy as the Government’s ‘pathways out of poverty’ initiatives might be, it remains to be seen whether these are going to be progressed on any significant scale. Moreover, as revealed by our recent AHURI research, much as it may be desirable that the social landlord’s role is redefined to include assisting work-capable tenants to reconnect with employment, the current scale of such activity is extremely small.

And, in the context of a public housing system already tightly stretched on its staffing, any serious aspiration for changing this really needs to be cash-backed and – for community housing – written into regulatory performance objectives.

A bigger role for community housing (social housing in Camperdown, courtesy of Bridge Housing)

More fundamentally, we would argue that for most tenants assisted into low wage employment the ‘private rental offer’ will remain unattractive because of high rents and low security. In our view the best means of redressing this situation to create a more viable pathway out of social housing would be through restructuring private rental supply through engaging institutional investors more likely to prioritise long term rental returns rather than the ability to cash in on capital gains.

Government actions that might help to bring this about would include guaranteeing affordable housing investment and sponsoring a financial intermediary agency. Regrettably, however, such ideas are eschewed in the paper’s somewhat vague and apparently unambitious suggestions on ‘innovative financing’.

Transfer to community housing

What of the increasingly cash-strapped and hollowed-out state of the public housing system more generally? Acknowledged in the report is the particularly low tenant satisfaction rating for NSW public housing. And although the fundamentally insolvent condition of the system is left unsaid, these twin considerations implicitly underlie the suggestion that a further tranche of public housing will be transferred into community housing management.

Such as it exists, however (p10), the document’s transfer pledge is lukewarm at best. Other than indicating that the process will be competitive, the paper is also notably silent on the specifics on how transfers might, in fact, be achieved. The aspiration to grow community housing to represent ‘up to 35%’ of all social housing within 10 years implies expansion of community housing by about 15-20,000 homes over and above current holdings (which, if it was wholly achieved through transfers would imply the handover of up to a fifth of all public housing).

Also left unsaid is that in 2009 the NSW Government committed to achieve the ‘up to 35%’ aspiration by 2014! With progress towards that modest objective stalled since 2011, pushing the target date out to 2026 seems seriously at odds with the urgency of the need to improve accommodation quality, tenant satisfaction and tenant support in public housing.

A whole of government approach?

As the paper rightly argues, a 'whole of government approach' is vital in tackling the State's social and affordable housing challenges. So it is especially disappointing that it contains no new pledges on potentially effective ways that Government departments other than FAC S could unlock substantially greater gains in affordable housing supply. In particular, it contains no Treasury commitment for the discounted provision of government land (e.g. in UrbanGrowth NSW renewal projects), nor any NSW Planning intention to enable affordable housing supply through inclusionary zoning.

Implementation

The task of implementing the reforms begins now. Stakeholders will need to be vigorous in ensuring that even these decidedly modest system reforms are actioned and not watered down, as we have seen all too often before. What will be critical from here on, therefore, is that costed plans are developed and outcomes are regularly monitored and reported. So, next step should include

- a detailed 10-year plan
- an evaluation strategy, and
- an annual social housing performance statement lodged in Parliament.

Armed with tangible plans and better performance information, the policy and tenant communities can then push for strategies that succeed to be expanded and those that don't to be dropped.

Changing home ownership and growing inequality

Dr Ben Spies-Butcher, Senior Lecturer, Department of Sociology, Macquarie University

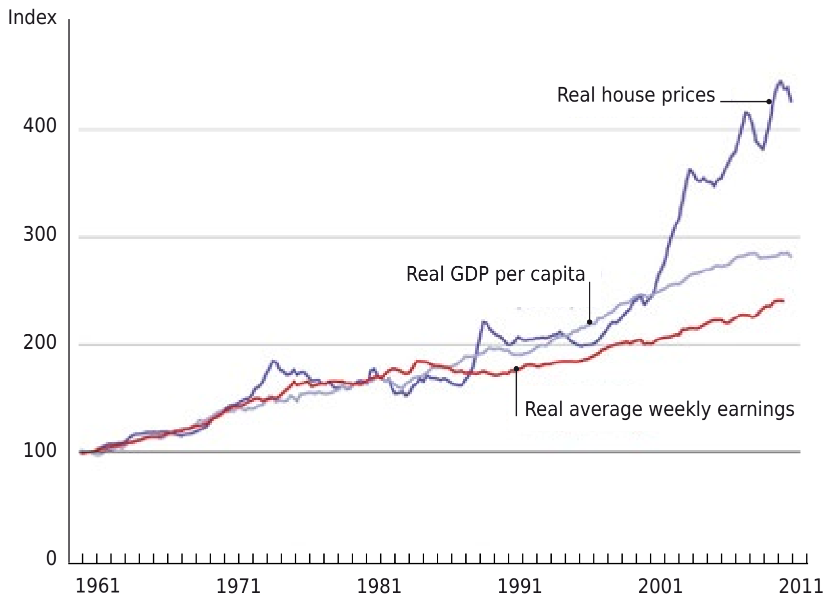
Home ownership has been widespread, including amongst ordinary workers. But sky rocketing house prices put that at risk, while declining public housing stock is leaving millions stuck in an insecure and expensive private rental market.

This bleak picture is sadly becoming more familiar to many. What might be more surprising is that home ownership, at least overall, remains a relatively egalitarian institution. Housing wealth is much more equally distributed than most other forms of wealth (including superannuation). Indeed, the group most likely to own their own home outright are not the rich, but age pensioners.

Despite decades of rising prices, the distribution of housing continues to reflect policies from earlier times. Like other assets, housing wealth tends to be gradually accumulated over a person's (or family's) working life. And unlike many other assets, we tend not to 'spend' it in retirement. The idea is to buy a house while at work and then maintain it in retirement.

It takes most people decades to accomplish this task. From saving a deposit to paying off the last of

Figure 1: Real House Prices, GDP per Capita and Earnings



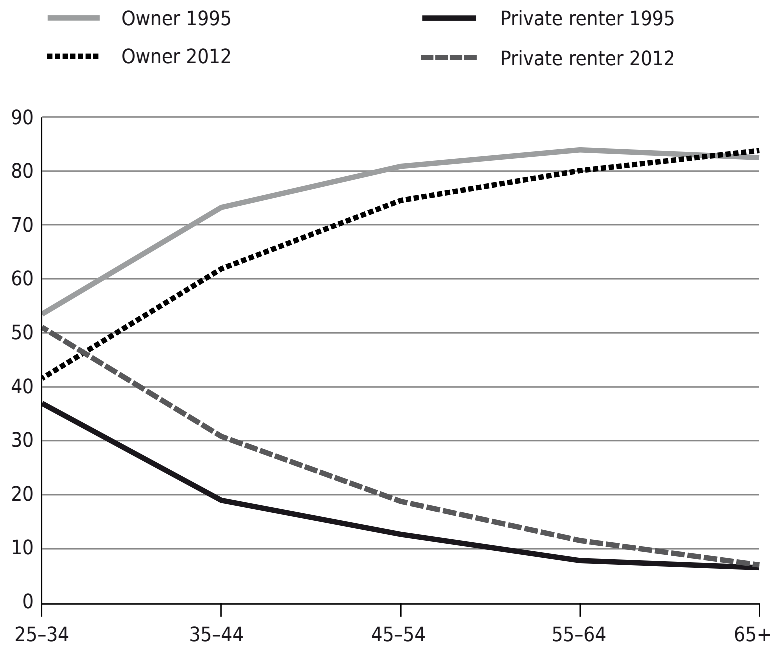
Source: Abelson and Chung (2005); ABS;Australian Treasury;REIA the mortgage is often a lifetime's work. The discipline required to do this – and the threat of foreclosure if mortgage payments were missed - is often cited as a reason why home ownership might encourage conservatism. Workers with mortgages are less likely to strike. It has another implication too – it delays the effect of changing patterns of inequality.

Many of us are now aware of the challenges facing young people breaking into the housing market. This is sometimes presented as a generational challenge – older generations had it good, younger generations will now suffer. But the evidence is a little more complicated. A better description is that older generations had it more equal, younger generations are having it increasingly unequal.

Australia is clearly getting richer. The combination of the mining boom and avoiding the most serious consequences of the Global Recession / Global Financial Crisis, have seen Australia's average income steadily moving up the global ladder. But that growing wealth has not been shared equally. Our incomes at work have become less equal as union influence has declined, wages became decentralised and casual and precarious work more ubiquitous.

Labour incomes as a whole have also declined relative to profits. This inequality is reinforced by changes in tax and social policy. Governments have encouraged people to save for their own needs (whether through super, an investment property or private health insurance), while deregulating the markets people

Figure 2: Changes in home ownership



invest in, and then provided very generous tax breaks on investment. Those with higher incomes can afford to invest more and so reap the biggest benefits.

That combination has pumped billions of dollars into investments. In housing the generous tax treatment of investment property via negative gearing and a discount on capital gains has driven up property prices. Figure 1 shows how house prices have moved relative to wages and average incomes. After tracked together through most of the 1960s and 1970s they then started to diverge. First wages fell behind – as governments and unions agreed to suppress wages. Second, house prices surged ahead of average incomes. That happened around 1999, the year the capital gains tax concession was introduced.

As wages have become less equal and house prices have risen, so the egalitarian model of home ownership has started to break.

Those first to feel the impact have been the relatively poor and relatively young. Even in 2001 24% of those aged 15-24 had entered home ownership. By 2011/2 that proportion had halved. But it is amongst older groups that we might be more concerned. Figure 2 shows changes in home ownership (mortgage or outright) and private renting for those over 25. The decline is not confined to the very young.

In some recent research, Adam Stebbing and I examined whether these declines could be attributed to other causes – such as people staying in education longer and having children later; or changing investment patterns that were less centred on housing. The evidence, however, is more consistent with these changes being driven by growing inequality.

That means home ownership is likely to continue to fall as younger generations with lower home ownership rates replace older generations who bought into the market when policies were different and inequality less severe. That does not mean younger generations will be less wealthy. Some younger people will not only own their own home, they will join the ranks of investors with sizable portfolios of real estate. But many others will be locked out of ownership for much – or all – of their lives.

It is also likely to mean less security for many. The old model of home ownership was designed to be far less adventurous. Once bought, people simply maintained their home in retirement, using it to lower housing costs by avoiding paying rent or a mortgage, and perhaps eventually downsizing and using the difference to fund a slightly more comfortable lifestyle.

New policy settings encourage us to buy more housing – even before we have paid off our first mortgage. Those investments are rewarded with tax concessions, but also expose us to more debt and risk, particularly if housing prices fall – as they did dramatically in the US during the subprime crisis.

Governments have also identified housing assets as a potential stream of resources to pay for the growing needs of an ageing population. Proposals to use reverse mortgages, or to force older people to sell their home to pay for aged care are designed around this principle. This opens up other risks that force older people to make complex financial decisions before accessing basic services.

It might sound reasonable to tap into the vast wealth of Australian housing. But doing so on a ‘user pays’ principle is deeply inequitable. This is especially the case when Australia has a gapping hole in its tax base – with no tax on inheritance. Without an inheritance tax the emerging system of user payments will exaggerate intergenerational inequality, meaning many middle income households run down their resources, leaving little to pass on, while others can fund their retirement out of the interest they receive on large holdings and pass all of this onto their descendants.

So at both ends of the life course we have new drivers of inequality. For the young it is getting onto the ladder of property accumulation. For the old it is running down their assets to finance their own care, or being able to by-pass the tax man as they hand their wealth on. That generational process is joining up, as it becomes more and more common for parents to help their children get into the property game – something that only some parents can afford to do.

Inequality will have severe impacts when younger workers retire. Australia’s age pension is one of the lowest and cheapest in the developed world. It only works because so many older people own their home. In the private rental market our pension

Federal Election Forum

In this federal election, for the first time, housing will matter.

Tax and the way it causes house price inflation and speculative investment is now hotly debated.

Access to affordable and appropriate housing is not enjoyed by many low income people. Federal governments can’t solve all housing issues, but through taxation and other policies they can significantly affect how the Australian housing system works.

Shelter will be holding a forum in the lead up to this year’s federal election to hear from politicians followed by workshops on campaigning strategies.

Tuesday 7th June (9.15am to 3.45pm)

NSW Teachers Federation Conference Centre,

37 Reservoir St, Surry Hills, NSW.

is sadly inadequate. This is already a reality for some older people, especially women, who either were unable to own a house, or lost a home through divorce, bankruptcy or other misadventure. But their numbers are set to grow.

Having built a relatively equitable model of home ownership, now, ironically, incentives to buy property – like negative gearing – and to save for retirement – like super – are creating a new cycle of inequality. More disturbing, because this inequality relates to wealth, it emerges slowly. Inequality is thus set to grow.

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Home energy action 2016 to be launched

Craig Johnston, Principal Policy Officer, Shelter NSW

By the end of this month (March) the Home Energy Action program should be launched, once the Office of Environment and Heritage finishes work on the program guidelines.

The Home Energy Action program is a state government program that aims to reduce ‘energy hardship’ for vulnerable households by promoting energy efficiency and clean energy measures in their housing. These measures are designed to improve living conditions of those households by sustainable use of energy and reductions in their cost of energy use.

The program is a 2-year program, funded to June next year.

It has 3 streams: measures promoting renewable sources of energy, specifically solar power; retrofit measures targeted to community-housing; and measures to enable vulnerable households to access energy-efficient appliances.

The second and third of these 3 streams are a current priority for work, and Shelter NSW participated in a co-design workshop for the third stream, the Appliance stream, on February 10.

The aim of this stream of the program is to address the financial cost issues for low-income households in acquiring appliances that are energy-efficient but have higher purchase prices. The appliance types in the program will be refrigerators and televisions. The hope is that 28,000 low-income households will be assisted.

There are 2 dimensions to this stream. One is to bring down the retail price of appliances. The mechanism here is to seek the participation of appliance suppliers in a bulk supply agreement (which would involve them lowering retail prices in return for more assured and greater sales).

The second dimension is a government subsidy to the household purchasing the appliance. This subsidy is likely to be about half of the purchase price. So, the household who wishes to access the subsidy will have to contribute the balance, on a co-payment basis.

If they do not have the cash to pay for this upfront, then they could take out a low-interest loan, or a no-interest loan through the No-Interest Loan Scheme (a micro-finance initiative by a number of nonprofit organizations — more info on this scheme at www.nils.com). Or another person or organization could pay it for them.

More information on state government programs on energy efficiency for households is at the OEH website, www.environment.nsw.gov.au/households/.