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Celebrating 6 Years:

3,100 new affordable homes built
15,000 FTE Jobs created
\$1.3billion in private investment made
Saving tenants \$14m a year in rent



DEPARTMENT OF THE PRIME MINISTER AND CABINET

FEDERATION:- HOUSING & HOMELESSNESS

A submission from

The National Affordable Housing Consortium



ABOUT NAHC:

The National Affordable Housing Consortium is a Not For Profit Company and endorsed Charity. It was incorporated in November 2008.

In the last 6 years NAHC has facilitated the completion of 3,100 affordable rental homes, with 500 more under construction, created a network of not for profit and for profit entities delivering and managing affordable housing, attracted over \$1.3B in private investment and achieved balanced outcomes for Government, private and community stakeholders.

30% of NAHC residents come from the social housing wait list and 20% of residents are receiving a disability support pension, over 60% are lower income workers.

As well as facilitating new housing on the ground, NAHC invests in research and development and has developed new models to assist social housing reform, stock renewal and pathways between the social and market systems.

NAHC expects to continue to play a leading role in social and affordable housing reform, renewal and increasing housing opportunities between social and market system. Above all, NAHC expects to add to the further growth in supply, which is essential if we are to address the underlying imbalance in the market.

GENERAL INTRODUCTION

It is important to contextualize this submission. The roles and responsibilities of different levels of Government and how we achieve the best national housing outcomes can not be considered in isolation of the macro policy settings that shape the national housing market.

The Commonwealth Government controls a number of central policy levers which directly and indirectly influence industry responses and patterns of investment, demand and consumption in the housing market.

These include immigration, tax and tax relief, economic development, national infrastructure, income distribution, welfare and aged care

State and Local Governments also have powers, tax and funding roles that can influence supply side responses, including land supply, planning and taxes, fees and charges.

This demonstrates the need for a collaborative national effort across Government to set out plans and targets and to provide stable long term settings to facilitate investment in new supply. In addition Governments need to plan together to ensure adequate financing arrangements are matched to efficient service delivery mechanisms. There is certainly room for reform across the system.

In terms of size, quality, amenity and environmental health, Australia is amongst the best housed nations in the world. In terms of housing affordability, Australia has a continuous record, over a decade and more, of having a deep and sustained affordability problem that is amongst the worst in the developed world.

Despite record low interest rates reflecting a weak international and fragile domestic economy, housing affordability and housing stress remain serious problems and trend data suggests worse to come, particularly for low income market renters and those requiring a social housing solution.

It is a sad reflection on market failure, and housing policy failure, that housing outcomes are increasingly polarized into the 'housing haves' and the 'housing have-nots'. This is an analysis that not only undermines our national perspective as an egalitarian, 'fair-go' society [something that has not been true in housing for many years], but it also has very real consequences for our economic and social performance.

'Housing Have-Nots' are most profoundly illustrated by the sustained level of homelessness and the high level un-met needs of those on public housing wait lists. However, Housing Have-Nots also include those that do not have access to housing that is affordable or appropriate to their need, those paying more than 30% or even 50% of income, those on short term lets that desperately need long term stability, those living constantly on the edge of repossession and those young people unable to become independent because of housing market failure and finally, those fearful of retirement as they cannot meet ongoing housing costs.

Making the housing system work for all Australians is as important as providing universal access to affordable health and education and is a role that requires active Government leadership, hopefully through the bi-partisan and long term settings required for industry & community to efficiently deliver supply side responses over the longer term.

- ✚ Housing activity contributes around 5% to typical GDP
- ✚ 1.3million households receive CRA, 400,000 households are housed in social housing and over 105,000 households are homeless.
- ✚ For those in the bottom 40% of incomes, 53% of renters and 40% of home buyers pay more than 30% of their income in housing costs
- ✚ Public housing stock has declined from 345,000 in 2004 to 328,000 in 2013 and whilst community housing has grown, the overall social housing stock has declined in all States except Tasmania on a per capita basis.
- ✚ The National Housing Supply Council 2012 identified a 500,000 shortfall in available and affordable rental dwellings and indicated that the national shortfall in supply will rise to over 663,000 by 2031.
- ✚ The estimated \$42Billion a year in housing tax reliefs and outlays do not deliver a fair or effective housing system and disproportionately benefits those who need it least

COMMONWEALTH GOVERNMENT

The sheer scale and impact of the housing sector and its relationship to other key economic and social matters is a compelling reason for a strategic level view by the Commonwealth. In particular the availability, location and affordability of housing relates to:-

- Labour force participation
- Productivity
- Investment and consumption trends
- Inter-action with other areas of government responsibility including economic growth, health, aged care, closing the gap and welfare

A lack of effective planning to meet future housing needs probably means we are sleepwalking into significant problems in the areas above, or at least failing to adequately govern this area of national interest.

Whilst the public debate often focusses on programs or funding shortfall, the reality is that Australia over invests and inefficiently intervenes in the housing market creating long term distortions and creating barriers to real reform.

The key proposition is that Government interventions, estimated at around \$42B per year, particularly in its tax relief regimes, are not focused on better housing outcomes and are ineffectively targeted. This proposition is that adequate resources are expended, but not to national [housing] benefit.

The level of commitment and the behavior(s) that have become dependent on it, create a political disincentive to act. One can well imagine the media and political frenzy that would result from addressing unfettered capital gains on family homes or the costly and ineffective negative gearing regime. [Which

subsidizes private investment in existing housing over new supply by \$12 to \$1, in an era of supply shortage, thus fueling housing inflation].

It is for these reasons that a whole of Governments policy direction needs to be developed that create the necessary conditions for long term reform to put our system on a more productive and sustainable footing.

Obviously, political parties will have their own take on the specific actions required, that is democracy, but there are plenty of examples of broad directions supported across parties in the national interest. NDIS and [some] version of a National Broadband Network are just two current examples.

5 POINT PLAN FOR NATIONAL HOUSING REFORM:

NAHC articulated the case for national housing policy reform in its submission to the 2014 Senate Inquiry and in direct evidence provided to the Inquiry. The submission provided a clear rationale for the package of reform and identified how such reforms can be achieved within current Government budgets.

Supply & Targeting

Substantial supply side shortage is a major driver of excessive house price inflation and incomes and housing price ratios have departed from their post war norm of 2-3 times and the 'new norm now appears to be in the range of 5-9 times median income to median house price in our major cities.

1. Plan for a generation of action on supply and the re-targeting of current financial assistance towards addressing market failure and housing need, through a package of land, planning, funding and taxation reform and driven by clear policy directions and funded by private sector investment leveraged on core Government investment

Housing Tax Reform

Professor Judy Yates, Saul Eslake and others have been drawing our attention to the misallocation of housing tax relief and outlays for a decade. Australia does not have a funding problem in Housing, it's that we give the most benefit to those who need it least and we waste funds that could be generating genuine housing outcomes

2. Review housing tax relief, Government expenditure and housing taxation to align these instruments to national housing policy objectives, particularly housing supply and housing affordability and to ensure resources are targeted to those in need of assistance at the point of need.

Creating a long term, secure and affordable rental sector.

Home ownership rates are in long term decline. Australia's rental sector is not equipped to meet future needs. The Intergeneration Report illustrates the nature of the challenge for one significant viewpoint. Internationally, Australia is almost alone in not having a long term rental market through Institutional funding.

3. Facilitate the development of a long term, stable private rental market, incorporating long term institutional holdings and socially responsible management to meet changing housing need for affordable rental housing. Underpin this initiative by refocussing tax concessions and taxation policy. [NRAS Mark 2 /Negative Gearing Concessions]

To achieve a more equitable, tenure-neutral housing policy to assist long term renters and create the conditions for improved choice.

To achieve this policy goal in a complementary way to the traditional shorter-let, 'small investor' housing rental market

A Viable Social Housing System

The long term role, size, funding and regulation of social housing needs to sit within a national housing policy and stable funding framework that provides the basis for improved investment to reform and grow the system and make it fit for purpose in the 21st Century

4. Develop a whole of Governments [COAG] long term policy and funding system for capital investment and human services reform in social and affordable housing to meet wider community need in a more effective way. Reform procurement and policy settings to attract investment to grow and diversify the sector. Set and report on a small number of Metrics to measure the Housing and Non Housing Outcomes of social housing investment and improve transparency and accountability.

Create Housing Pathways: Greater Diversity: More Choice:

Pathways is a function of individual / household capacity to move beyond social housing and the actual provision of [affordable] housing opportunities for the household to take up.

5. The overall housing system should be dynamic and able to reflect changing needs and respond flexibly. It should be underpinned by public, private and community resources and delivered by regulated and accountable NFP housing entities.

The system should be flexible and responsive to diverse economic and social conditions. It should aim to provide multiple pathways between a social safety net and the market system with subsidies based on need and capacity to pay. The Human Services System should provide co-ordinated, targeted and measurable interventions to remove barriers to household progression in partnership with the customer.

FEDERATION ROLES & RESONSIBILITIES:

The first thing that needs to change is that over-arching policy goals need buy-in at the right level. It is no good giving the DSS and State Housing Minister the responsibility for 'fixing' the nations housing problems when nearly all the levers sit outside their control.

Housing market productivity/failure and its consequences is fundamentally an economic matter.

At a COAG [Heads of Government] level we need an evidenced based policy framework which clearly articulates the key challenges facing the nation and sets out broad directions towards the policy outcomes over the medium term. [A Strategic Document] This should be underpinned by:

- Short, Medium and Long term Goals
- A financing framework, which addresses adequacy, sourcing and reporting goals. This can include:
 - a reformed tax incentive for creating new Institutionally funded supply in a large scale longer term approach to affordable rental housing [Reform NRAS and Negative Gearing Concessions]
 - CRA as an operational subsidy to social housing providers, but addressing adequacy by increasing levels with saving offsets
 - National Affordable Housing Supply Initiative [Replace NAHA funds with a single contestable fund, open to States, Community and Private sector on 5 year rolling program]

- National Affordable Housing land bank, identified across Governments, to deliver 5,000 new homes a year, with public interest retained via Shared Equity Home Ownership, Housing Co-operatives and Land Trust vehicles.
- The lead roles and ways performance will be measured and reported, including a more sophisticated and accountable use of Metrics and Evaluations. An Independent 'Housing Futures' Agency [Like a broadened National Housing Supply Council] should both inform the basis for the plan and be entity that measures and reports on performance
- Incentives to progress the directions and penalties if directions are not progressed

At a COAG [Housing Ministers] level we need the agreed Operational Plan [5 years?]to set out how we will make progress against the national goals, by necessity it should

- Define and confirm agreed directions and actions in term of
 - Addressing market failure
 - Increasing supply
 - Reforming the private rental market
 - Putting social housing on a sustainable path and growing responses to meet needs
 - Articulating the Human Services inter-face between social housing and complex needs and how that can be improved and properly funded
- Incentivize States 'buy in' to collective action, but recognizing that State's may not always choose to do so. However acknowledging that the performance of all key stakeholders will be reported
- A commitment of resources by States and Territories as part of the Operational Plan
- State Procurement of social and affordable housing services should be streamlined and seek consistency across Jurisdictions to encourage a 'national market' from community & business suppliers, reduce tender cost and improve scale and efficiency.
- Contracting frameworks should focus on risk and outcomes. A national contract template should be developed

At a social & affordable delivery level:

The three core issues are

- The adequacy of capital investment in maintaining, renewing and growing social and affordable housing to meet community needs
- The ability to design, fund and co-ordinate a human services system response, with measurable and cost effective outcomes, to the range of needs within social housing
 - For example, AHURI [2014. Paper No 295] put the average health service cost for a case-managed homeless person at \$16,531 compared to an average person cost of \$2,024. You would expect that identifying a range of agreed Metrics like these would drive Government policy, funding and service delivery decisions to generate improved efficiency and better outcomes.
- The lack of a strategic policy around housing market reform and the provision of affordable housing to provide pathways and lower subsidy options that reconnect the social and market system. **For those people that can be assisted to move beyond social housing** there are four interconnected matters that must be addressed:-
 - a) What is the **capacity** of the person or household to progress beyond social housing **and**
 - b) What are the barriers they face in improving their capacity and what actions can be taken to address those barriers **and**
 - c) What are the real and available **opportunities** to move into suitable affordable or market housing **and**
 - d) How will the system support this transition and provide an appropriate safety net if the transition fails. [Regression management]

There is also an argument that State Housing Authorities should be structured at Arms-Length from Housing Departments or even transferred to the community housing sector.

Housing Departments should not be dominated by their own role as a landlord, but need to take a more strategic role in addressing market productivity, regional housing planning and market failure responses. [Purchasing best value outcomes]

Arms length social landlord arrangements would enable entities to address business development, investment and borrowing outside of State accounts and enable the entity to be regulated under the National Regulatory System, thus creating contestability within a level playing field with the Not For Profit Sector in the areas of prudential management and protecting the interests of vulnerable tenants.

A Commonwealth move toward a CRA type operational subsidy to all social housing providers would provide a more level playing field into the future.

However in recognizing Commonwealth investment in the nations social housing stock since 1946 [CHSA / NAHA], States should be required to set out a forward plan which

- Sits within the Strategic Framework
- Identifies community needs and sets out goals and targets and provide a sound medium term basis for private sector and community sector forward planning and investment
- Sets out the role, scale, funding and operational aspects of the social housing system within goals that seek to match the system to unmet needs, provide assistance based on need and create a viable system with adequate capital investment and operational subsidy.
 - A future where the subsidy and tenure arrangements themselves are truly responsive and revolve around a customers needs rather than having 'specified' dwellings defined by programs [crisis, social, affordable, market] is a long way off but there are steps we can be taking to evolve and grow such a portfolio and enable assets to be traded within and beyond the system.

JOINED UP POLICY

Thank you for the opportunity to participate in the Reform of Federation [Housing & Homelessness] process.

The community expects to participate as the process continues and that all Governments will be giving serious consideration of the integrated nature of this process, alongside the Tax Reform, Welfare Reform and Intergenerational Report.

Whilst much could be done, within current resources, to improve efficiency and effectiveness in economic and social performance, pulling the wrong levers or pulling levers at the wrong time could make a bad situation worse.

Our ability to understand and address the complexity of these matters is naturally a cause for concern, but we hope that the 'generational' shift in housing policy, which the Country so desperately needs, is not put into the 'too hard' basket once again.

We would be pleased to work alongside the Government and all other stakeholders to explore these and other ideas that emerge from your consultations.

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