



Australian
Council of
Social Service

**Submission to the Senate Community Affairs Committee
inquiry into *Appropriation (Nation Building and Jobs) Bill (No.2)*
2008-2009 relating to the social housing program**

ACOSS, February 2009

Introduction

On 5 February 2009, the Senate referred the provisions of the *Appropriation (National Building and Jobs) Bill (No.2) 2008-2009* relating to the social housing program to the Community Affairs Committee for inquiry and report by 10 February 2009.

The Australian Council of Social Service (ACOSS) is the peak council of the community services and welfare sector and the national voice for the needs of people affected by poverty, disadvantage and inequality. Consistent with this mission, we are concerned to ensure that low income and disadvantaged people are able to access safe, secure, appropriate and affordable housing.

ACOSS is a member of the National Affordable Housing Summit Group, along with National Shelter, the Australian Council of Trade Unions, the Community Housing Federation of Australia and the Housing Industry Association. The Summit Group is chaired by Professor Julian Disney, and has produced a range of materials including housing policy recommendations which we hope will inform Government decisions related to the allocation and implementation of the stimulus funding. We also refer the Committee to the National Housing Advocacy Day background paper, prepared by ACOSS, National Shelter, the Community Housing Federation of Australia and Homelessness Australia as part of our housing advocacy day in September 2008 which sought a substantial increase in affordable housing investment (see attached – Appendix A)¹.

ACOSS is strongly supportive of the proposed stimulus investment of \$6.6 billion in public and community housing. We believe this investment is both appropriate and necessary to achieve both economic stimulus and social objectives.

Social housing stimulus spending

The Government's Nation Building and Jobs Plan includes a total of \$6.6 billion in public and community housing spending, comprised of:

- \$6.0 billion to fund the construction of approximately 20,000 new public and community housing dwellings, to be largely completed by December 2010;
- \$400 million for repairs to existing public housing dwellings in 2008-09 and 2009-10 to enable 2,500 homes to be retained rather than sold; and
- \$252 million for defence housing, to construct 802 new dwellings.

The initiative will require the states to deliver reforms to public and community housing to 'improve efficiency, reduce the concentration of public housing stock and promote social and economic participation of social housing tenants'.²

¹ The costings in the Background Paper are based on a dwelling cost of \$250,000 and do not take land costs into account. The stimulus costings appear to be based on a dwelling cost of \$300,000.

² Australian Government, 'Updated Economic and Fiscal Outlook: Appendix B: Nation Building and Jobs Plan', February 2009 at 19.

At a minimum, 15,000 jobs are estimated to be created by this investment over the next two years (though some commentators estimate that the number may be much higher, at around 80,000).

It is important to note that this stimulus spending will complement existing funding under the National Rental Affordability Scheme (NRAS) and growth funding under the National Affordable Housing Agreement (NAHA), to provide additional housing stock of approximately 72,000 'affordable' dwellings by 2012:

- Stimulus: \$6 billion for 20,000 dwellings;
- NRAS: \$0.6 billion for 50,000 dwellings³;
- NAHA growth funding: \$0.4 billion for 2,000 dwellings.

Implementation time frames

The scale of this investment in social housing is very significant, and the implementation schedule is ambitious. There is no doubt the Federal, State and Territory Governments will face implementation challenges in the allocation of this funding. ACOSS hopes that all levels of Government will seek to work with experts from the community sector in meeting these challenges and ensuring that this initiative maximizes social and economic outcomes for low income Australians.

The first stage of program is to fund 2,300 new dwellings by bringing forward construction already approved, while the remainder of the funding is to be allocated to areas of 'most urgent need', with State Governments to conduct tender processes and to include spot purchases of house and land packages.

The Government has set out a timeline (see below) for the various stages of social housing construction:

Repairs and Maintenance to Existing Public Housing Stock

- 15 February 2009 – the States to submit proposals
- 1 March 2009 - Commonwealth approves repairs and maintenance proposals

New Social Housing - Stage One

- 15 March 2009 – the States to submit proposals
- 1 April 2009 - Commonwealth makes allocations for stage one construction projects

New Social Housing - Stage Two

- 30 June 2009 – the States to submit proposals for new construction
- 30 August 2009 - Commonwealth makes allocations for stage two construction projects

³ This figure represents the number of allocations to have been made by 2012, rather than constructed dwellings.

ACOSS support for social housing stimulus spending

ACOSS strongly supports the social housing part of the stimulus package and urges the Senate to ensure that this part of the package is passed, due to the high levels of housing need and the critical lack of affordable housing.

ACOSS believes that the level of spending on social housing is both appropriate and necessary to achieve both the stimulus and social objectives.

ACOSS emphasises the importance of ensuring that, to achieve both objectives, the new housing is:

- Located close to transport, services and employment opportunities;
- Energy efficient, to reduce ongoing costs to tenants and minimise the environmental impact;
- Built according to universal design principles, to ensure it is accessible to people with disabilities;
- Planned and located to align with other infrastructure spending, to ensure that housing and employment markets align, including via planned transport investments.

ACOSS also supports the proposed expansion of the community housing sector as part of the stimulus initiative. Non-profit housing offers a secure and affordable housing option for people on low to moderate incomes. It is administered by non-profit organisations which provide tenancy and asset management services. In addition to providing housing, three out of five non-profit housing organisations provide some form of non-shelter assistance to their tenants.⁴ Many have excellent links to other community support services and have demonstrated good outcomes in negotiating supported tenancies with specialist providers such as aged care and mental health services. Many non-profit housing providers are able to offer specialised housing and support for their tenants.

The extent of housing need in Australia

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

The Commonwealth Government has acknowledged this crisis and the need for action. It has developed a range of policy measures designed to improve housing affordability, including the National Rental Affordability Scheme (NRAS). The White Paper on Homelessness was released in December last year and was complemented by substantially increased funding for homelessness services. However, without substantial additional investment in public and non-profit housing to increase affordable housing supply for low-

⁴ Community Housing Federation of Australia (2007) Community housing mapping project 2005-06: report on findings. Canberra.

moderate income households, substantial improvements in housing affordability cannot be achieved.

Research suggests that nearly 30% of low income households (or 800,500) are experiencing housing stress⁵. Housing affordability indexes generally define low-income households as those whose household income falls within bottom 40% of household incomes. Those experiencing the most acute stress in the current market are those in the private rental market, with 65% of low income private renters currently experiencing housing stress.⁶ This is consistent with the distribution of low to moderate income households in housing stress, 52% of whom are private renters compared to 36% who are home purchasers.⁷

The current stress on the private rental market is attributable to a number of factors. The decline in public housing stock and the increase in house prices have both played a role. Public housing stock has diminished from 365,000 dwellings in 1995 to 341,000 dwellings in 2006, estimated to be a reduction of 100,000 dwellings in real terms, resulting in tighter targeting and shorter tenure periods in many states and territories.⁸ There are currently approximately 200,000 people on tightly targeted public housing waiting lists. As a result of these factors, many low income earners have been forced into the private rental market. For a significant number, this is likely to be a long-term prospect, with exit into home purchase or public housing unlikely.

The need for affordable housing is greatest in areas which are close to employment opportunities and social services. Many of these locations are in inner-urban areas, where rents are particularly high such that many low-moderate income earners have been driven to outer-ring suburbs, which often have poor transport and lack other social infrastructure.

⁵ AHURI, Yates J and Gabriel, M. (2006) *Housing Affordability in Australia*, February 2006 and Yates, J (2007) *The polarization of housing affordability*, August 2007. We note that this is even higher than the 685,000 figure revealed by NATSEM research cited in the Technical Paper. In this paper, we use the generally accepted housing affordability measure of 30 per cent of household income allocated to housing costs for households in the lowest 40% of income distribution.

⁶ Yates, J and V Milligan, *Housing Affordability: A 21st Century Problem*, National Research Venture 3: Housing affordability for lower income Australians, for AHURI at 19.

⁷ Yates and Gabriel, *Housing affordability in Australia*, February 2006.

⁸ Australian Institute of Health and Welfare, *Australia's Welfare 2007*, at 237.

Social housing investment makes economic and social sense

Unemployment is projected to rise to 7% by June 2010 (now 4-5%), an increase of 300,000 people. With the building and construction industry a significant employer of Australian workers, it is a strategic industry to target with stimulus spending.

Recent figures show that there has been a significant reduction in the number of housing/construction starts since the economic downturn. The latest housing finance figures for the construction of new dwellings and the purchase of newly erected dwellings have continued to show a decline in approvals. This has a direct impact on the housing and construction industry – reducing work in the industry and placing jobs at risk.

In October last year, the Government announced a temporary increase in the First Home Owners Grant as part of its economic stimulus package. However, while buyers benefitted from this initiative, renters have missed out on the benefits of housing assistance, even though they are experiencing the most serious levels of unaffordability.

Now, with investment in housing declining due to the economic downturn, the rental market is likely to be under increasing stress. The Housing Industry Association (HIA) estimate that the lack of affordable rental housing could see the number of Australian households suffering from rental stress increase by a further 80,000 households by the end of 2009.⁹

Investment in public and community housing will provide a direct stimulus to the housing and construction industry while also responding to the acute need for more affordable housing.

Investment in construction has clear flow on effects to other parts of the economy, as the construction industry uses mostly local materials and has a very large labour component.

The Government's stimulus package also includes \$400 million for repairs to existing public housing dwellings in 2008-09 and 2009-10 to enable 2,500 homes to be retained for use rather than sold off. As funds can be transferred quickly through existing funding agreements and State Housing Authorities have long waiting lists of building renovations and repairs, this work can get under way immediately.

⁹ HIA, 'Further Rent Squeeze likely from Drop in Investment', 14 January 2009.

Allocation and implementation issues

There are a number of issues which relate to the implementation of this funding about which we seek further detail:

- How is 'social housing' being defined for the purposes of this funding, and what eligibility criteria will apply (i.e. will it all be deeply subsidised, like current public housing, or will there be varying levels of subsidy, for example, by combining with NRAS);
- Will targets be set relating to the tenant profile, in order to achieve social mix? If not, how are the social mix objectives to be achieved?;
- If the funding can be combined with NRAS funding, what will the eligibility criteria for tenants be, given that NRAS currently has different eligibility criteria to public housing?;
- Does the Government have targets as to the proportion of funding to go to not-for-profit housing providers, given its objective of expanding the community housing sector?;
- Given that the stimulus funding is for capital works only, how will ongoing operating costs be met?

We hope to discuss these details with Government in the implementation of this part of the economic stimulus package and refer the Government to materials prepared by the National Affordable Housing Summit Group, which set out recommendations relating to subsidy levels and tenant profile.