

Chapter 10

Measures to increase affordable rental housing

10.1 Through choice or necessity, around one third of Australians will rent their home rather than buy it. It is, therefore, important to ensure access to appropriate and affordable rental accommodation. The committee heard evidence that affordable rental housing is not only necessary to assist lower income earners or welfare recipients who struggle to meet market rents, but also to assist some communities to attract and retain essential workers in high housing cost areas. For example, Ms McCool from the Gold Coast City Council advised the committee that

Some of our workers, mainly in the hospitality and construction industries—or the service industries generally, not just hospitality but child care, schoolteachers and police officers—would find it incredibly hard to rent accommodation let alone enter the property ownership market on the Gold Coast currently.¹

10.2 There is currently a range of government programmes aimed at supporting people to obtain affordable rental accommodation. These include:

- private rental housing assistance, through Commonwealth Rent Assistance and programmes provided by state and territory governments aimed at assisting low income households; and
- the provision of public and community housing, including both medium- to long-term housing and emergency or crisis accommodation.

10.3 These programmes, which are discussed in some detail below, primarily provide assistance to low income families and welfare recipients. There do not appear to be many programmes which seek to target workers in 'essential services', who are finding it increasingly difficult to access affordable housing in some areas of Australia. By increasing the supply of affordable rental housing, the National Rental Affordability Scheme may, if successful, provide some assistance in this regard, however it does extend over long time frames.

Commonwealth State Housing Agreement

10.4 Many of the programs aimed at supporting people to access affordable rental accommodation are delivered under the auspices of the Commonwealth State Housing Agreement (CSHA). The first CSHA was agreed in 1945. The current agreement is

1 Ms C McCool, *Committee Hansard*, 15 April 2008, p. 5.

for the period 1 July 2003 to 30 June 2008, and is to be replaced by a National Affordable Housing Agreement, which is currently under development.²

CSHA funding³

10.5 Total funding for the CSHA in 2005-06 was \$1.3 billion, which was comprised of \$944 million in Commonwealth funding and \$364 million in state matching grants. Commonwealth grants comprised:

- base funding (\$744 million), which is general purpose funding that can be used for any housing assistance purpose. The vast majority is used for public housing; and
- identified programme funding, which can only be used for the specific purpose for which it was provided. The identified programmes are the:
 - Aboriginal Rental Housing Program (\$93 million);
 - Community Housing Program (\$66 million); and
 - Crisis Accommodation Program (\$41 million), which provides capital funding for services funded under the Supported Accommodation Assistance Program.

10.6 The states and territories are required to contribute to the agreement in the order of 48.95 per cent of the base funding that they receive from the Commonwealth.⁴ According to the *Independent Audit of Government Contributions to Housing Assistance*, for the period 1996–97 to 2004–05, funding provided by the states has generally been in excess of that required to meet their matching obligations under the CSHA.⁵ No breakdown of how state and territory funds were allocated was available, however, some data may be provided against specific programmes discussed below.

Private Rental Housing Assistance

Commonwealth Rent Assistance

10.7 Commonwealth Rent Assistance (CRA) is a non-taxable income supplement paid through Centrelink. The payment is added on to the pension, allowance, or benefit of eligible income support recipients who rent in the private rental market.

2 FaHCSIA has advised the committee that the current agreement will continue until December 2008.

3 Unless otherwise stated, information in this section has been sourced from the following document: Department of Families, Community Services and Indigenous Affairs (2007), *Housing Assistance Act 1996, Annual Report 2005-06*, Commonwealth of Australia.

4 Commonwealth of Australia, (2003), 'Housing Assistance (Form of Agreement) Determination 2003', *Commonwealth of Australia Gazette*, No. S 276, 17 July.

5 South Australian Centre for Economic Studies (2008, p. i).

Pensioners, allowees and those receiving more than the base rate of Family Tax Benefit A may be eligible for rent assistance. According to the Australian Council of Social Service:

Commonwealth Rental Assistance (CRA) is the most significant form of direct rental assistance provided by Government to tenants in the [private] rental market.⁶

10.8 Rental Assistance is paid at the rate of 75 cents for every dollar of rent paid above the specified minimum rent threshold, up to a maximum amount. The minimum rent threshold and maximum rate of rent assistance varies according to the family situation of the recipient and the number of dependent children.⁷ In 2006–07, the CRA programme provided \$2.2 billion of assistance, a real increase of 12 per cent over the last ten years.⁸ In June 2006, 23 per cent of Centrelink clients were receiving rent assistance.⁹

10.9 As outlined in Table 10.1, CRA is effective in reducing the proportion of income that recipients are spending on rent. However, 23 per cent of CRA recipients may still be classified as being in housing stress (that is, paying more than 30 per cent of their income on housing) and a further 8 per cent remain in housing crisis (paying more than 50 per cent of their income on housing) even after receipt of the benefit.

Table 10.1: Recipients (income units) of Commonwealth Rent Assistance, proportion of income spent on rent with and without CRA, by state/territory, June 2006 (per cent)*

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
30% to 50%									
With CRA	25.0	22.6	23.3	20.1	21.6	19.8	23.6	23.4	23.2
Without CRA	35.1	36.9	34.4	35.4	34.5	37.5	25.5	36.0	35.3
Over 50%									
With CRA	10.1	8.3	8.0	5.5	5.9	4.8	14.1	6.9	8.4
Without CRA	26.7	23.9	23.4	19.1	20.9	19.2	30.6	22.9	24.0

* Reproduced from: AIHW (2007a, p. 224).

10.10 A number of witnesses and submissions expressed concern about the effectiveness of the CRA in meeting the needs of low income families:

6 Australian Council of Social Service, *Submission 40*, p. 3.

7 FaHCSIA website: www.fahcsia.gov.au/internet/facsinternet.nsf/housing/rentassist.htm

8 Productivity Commission (2008, p. 16.5).

9 AIHW (2008a, p. 28).

...we are concerned that Commonwealth rent assistance was taken out of the Commonwealth-state housing budget, was folded into another vehicle—the Social Security Act—and has really failed to deliver affordability for people in receipt of rental assistance. I think the breakdown of figures shows that it makes rentals affordable for about a third of people; another third, because of the exemptions of some parts of their income, are arguably not really in rental stress in the first place; and for another third it is completely inadequate. So I guess when we look at the \$2 billion-odd that goes into rent assistance, yes, our concern is that it is a very blunt and inadequate instrument for at least a third of the recipients.¹⁰

10.11 It was argued that the CRA might better meet the needs of low income recipients if the maximum rate of rent assistance, which is the same nationally, varied by region, so as to better reflect market rents in different cities and regions:

...the funding levels available under Commonwealth rental assistance should take into account regional differences in the private rental market. I know that sounds like it might be an impossible thing to do, but there are particular cities, particular places, where it is not going to touch the surface in terms of keeping people in their accommodation or buying them any accommodation.¹¹

10.12 The eligibility requirements for CRA have also been criticised as they exclude some low income groups who may be experiencing housing stress, such as low income working households without children (and therefore not in receipt of family tax benefit), Austudy recipients, migrants subject to benefit waiting periods, and people reliant on long term insurance benefits.¹² As such, there have been calls for the CRA to be re-cast as a housing affordability support for a diverse range of low income households, including home purchasers:

...if one looks at [rent assistance] in a holistic sense as an affordability support, it is arguable that it should be available to home purchasers in temporary financial stress. It could, for instance, take into account mortgage interest payment as a quasi rental payment. Where mortgagors suffer financial setbacks, such as job loss or difficulties arising from marital breakdown, assistance could be available in a quantum similar to what would be received in the private rental market.¹³

10.13 There was also some question about whether rent assistance was the most effective use of Commonwealth funds in terms of its impact on affordable housing, and whether it may in fact have an inflationary effect on rents. Dr Crabtree from the University of Western Sydney noted that:

10 Ms B Kitching, *Committee Hansard*, 8 April 2008, p. 25.

11 Major D Eldridge, *Committee Hansard*, 23 April 2008, p. 39.

12 Hancock and Barnett (2005, pp 17–18).

13 Hancock and Barnett (2005, p. 18).

From my discussions with the community housing sector and the cooperative housing sector, I think there is a potential for better use of those [rent assistance] funds. It does tend to just feed through into private landlords' pockets and does not actually do anything about addressing the supply of affordable housing. From my work with the sector in Australia, I would say that there are better ways, or maybe it is worth looking at better ways, of using that money.¹⁴

10.14 Given the concerns that the CRA is a 'blunt tool' for addressing housing affordability, a number of witnesses and submissions called for a review of the programme.¹⁵ For example the Australian Council of Social Service indicated that:

What we would like to see is a review into Commonwealth Rent Assistance: (a) how it meets the needs of those people who need it and (b) how it interacts with current policies and policies that are going to come on stream over the next year.¹⁶

Recommendation 10.1

10.15 The committee recommends that the Australian Government commission an independent evaluation of the Commonwealth Rent Assistance programme, to ascertain its effectiveness and cost effectiveness in improving housing affordability for low to medium income households and to make recommendations regarding future directions for the programme, including eligibility criteria.

10.16 The review should be undertaken in the context of a more comprehensive review of all government initiatives, both supply side and demand side, aimed at improving housing affordability.

Recommendation 10.2

10.17 The committee recommends that the Australian, state and territory governments increase the quantum of support available under Commonwealth Rental Assistance for older Australians living in private rental accommodation.

Private Rent Assistance

10.18 Under the Commonwealth State Housing Agreement, each state and territory runs programmes aimed at assisting eligible low income households to establish and

14 Dr L Crabtree, *Committee Hansard*, 3 April 2008, p. 50. Similarly, Professor P Troy opined that 'the rental assistance appears to simply increase the level of asking rents for rental housing'; *Submission 11*, p. 4. This argument was also made by Mr P Pollard, *Submission 25*.

15 See for example, Major D Eldridge, Salvation Army, *Committee Hansard*, 23 April 2008, p. 39 and Dr Crabtree, Urban Research Centre, *Committee Hansard*, 3 April 2008, p. 50.

16 Mr A Johnson, *Committee Hansard*, 2 April 2008, p. 73.

maintain private rental tenancies. While the nature of these programmes and the eligibility requirements vary by jurisdiction, they commonly provide one-off forms of assistance such as bond loans, assistance with rental payments and relocation expenses.¹⁷

10.19 In 2005–06 the states and territories provided \$78 million worth of private rent assistance to 134 000 households. Of those households 75 per cent received bond loans, 37 per cent received rental grants and subsidies, 2 per cent received payments to assist with relocation expenses and 8 per cent received other one-off grants.¹⁸

Social Housing

10.20 Under the CSHA, social housing refers to both public housing, which is delivered by state and territory housing authorities, and community housing, which is generally provided by the not-for-profit sector.

Public Housing

10.21 Government owned and managed housing is provided under the Commonwealth State Housing Agreement in the form of both mainstream public housing and Indigenous housing. Public housing was first provided under the CSHA in 1945 and, according to Professor Troy:

was originally designed to provide rental housing of high standard to any who sought it. It was a public housing program. The ambition was to provide as much as half the housing.¹⁹

10.22 As well as providing affordable homes of reasonable quality to low- to medium-income households, public housing also contributed to home ownership, as many people who rented public housing eventually purchased their home from state housing authorities or went on to purchase privately:

the old-style postwar public housing...was targeted at low-to moderate-income working families, who were using that as, if you like, a normal part of the rental housing market and very often as a pathway towards homeownership.²⁰

10.23 In the mid 1990s, the nature of public housing in Australia changed. In the early 1990s the client base of most public housing authorities was 'dominated by couples with children, and almost a third of households were in full-time employment and paying market rents.'²¹ However, the 1996 CSHA gave priority to targeting public

17 AIHW (2008a, pp 28–29).

18 AIHW (2008a, p. 29).

19 Professor P Troy, *Submission 11*, p. 2.

20 Mr A Farrar, *Committee Hansard*, 2 April 2008, p. 3.

21 Hall and Berry (2007, p. 1).

housing to those most in need, that is, those experiencing the lowest incomes or in dire need of housing assistance. The 1996 agreement also eliminated the separation between capital and recurrent purposes for which grants could be applied.²²

10.24 Mr Adam Farrar, from the NSW Federation of Housing Associations, advised that these changes led to quite dramatic shifts in the nature of public housing tenants:

... across the country we have turned public housing from being a low-cost, affordable rental market into being the response that we failed to put in place after we started deinstitutionalisation [of, for example, people with mental health problems] 15 to 20 odd years ago. It has been recently recognised, for example, that we did not put in place the kind of mental health solutions that followed the closure of mental health facilities. It has also been recognised, but less explicitly, that the accommodation options did not follow...

As a result—partly, for the past 10 or 15 years, simply as a result of demand—public housing has shifted to being that response. Its client group has become people who otherwise in the past would have been either in aged care, in government youth facilities or in mental health facilities. Increasingly we are seeing that move from an implicit change due to demand to quite an explicit policy. New South Wales has made it quite explicit that that is its target group now. It does not house low to moderate-income households and, instead, it is there to meet that demand...²³

10.25 Other witnesses, such as Professor Disney, noted that this over-targeting of public housing to the most severely disadvantaged had threatened the viability of the public housing system as:

It means not only that they [state housing authorities] cannot charge enough rent to meet their costs but also that they have higher support costs for the people who are living there. Of course, in many ways, really, things that were being met out of the health and welfare budget are now being met out of the public housing budget as the consequence of de-institutionalisation. Housing is now picking up the tab...²⁴

10.26 This point was explained in more detail by Mr Farrar, who noted the vicious circle that has been created for the public housing system:

In Australia we have a unique way of funding housing affordability for people who live in social housing. In other countries, they charge the cost of providing that housing—as you would in any other kind of market—and then there is either a CSO subsidy or an explicit subsidy to the tenants which meets the gap. In Australia, we chose to do it by charging a rent which we deemed to be affordable—which was a proportion of income. So

22 Hall and Berry (2007, p. 13).

23 Mr Farrar, *Committee Hansard*, 2 April 2008, p. 3

24 Professor J Disney, University of New South Wales, *Committee Hansard*, 2 April 2008, p. 33.

in a sense the system had to subsidise it internally. It has a perverse consequence: as you target more tightly to lower-income households your income falls. As a result, state housing authorities across the country are to all intents and purposes bankrupt. For a number of years they have been cannibalising their own supply simply to maintain their operations. This is due to the fact that we have targeted more tightly. We have targeted more tightly because we created a population whom we have stopped housing in institutions. So demand increased and, at the same time, we reduced funding for new supply and our formula reduced the income streams. It was a dire position.²⁵

10.27 The overall impact of the changes to public housing in Australia over the last ten years has been a steady decline in public housing stock, an increase in waiting lists and a diminished reputation for public housing in the Australian community.

Public housing stock

10.28 Many witnesses lamented the decline in public housing stock in Australia. For example, ACOSS indicated that:

what has been extraordinary is that over the last 10 years, given the increased numbers of people who are living in poverty and given the fact that our population has increased, the number of houses available in public and community housing...has declined.²⁶

10.29 Mr Davies, from the Northern Rivers Social Development Council indicated that:

Public housing now forms a very small part of the overall housing market—under five per cent of all housing and 15 per cent of all rental housing stock across the state, and I think it is a similar figure nationally.²⁷

10.30 The decline in public housing stock is born out by the statistics. Between 1996 and 2006, the number of public housing dwellings nationally declined from 372 134 to 341 378, a reduction of around 8 per cent.²⁸ During this same period, Australia's population increased by around 13 per cent, making the decline in public housing even more significant.

10.31 Not surprisingly, funding for public housing has also declined in real terms. According to the Productivity Commission, in 2006–07 the Australian, state and territory governments provided \$1.3 billion for housing assistance under the CSHA, the bulk of which was for public and community housing. Real expenditure on CSHA

25 Mr A Farrar, *Committee Hansard*, 2 April 2008, p. 3.

26 Mr A Johnson, ACOSS, *Committee Hansard*, 2 April 2008, pp 72–73.

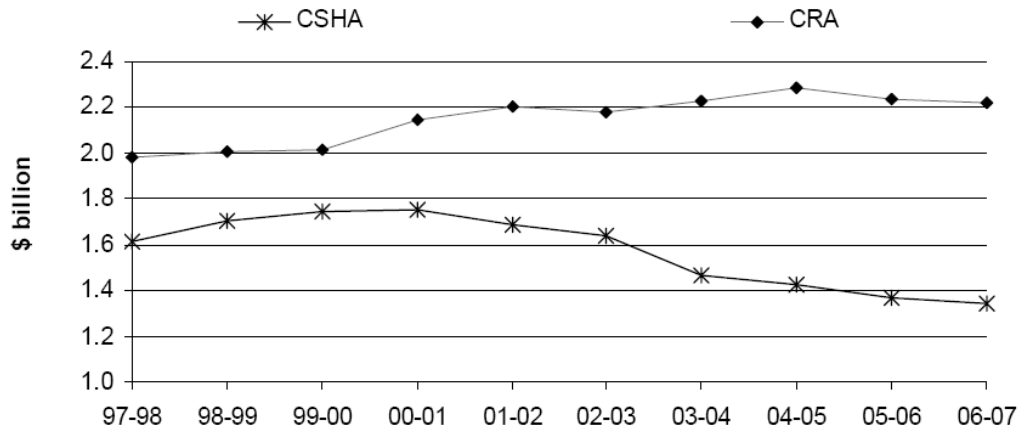
27 Mr Davies, *Committee Hansard*, 15 April 2008, p. 21.

28 AIHW (2007a, p. 457).

assistance declined by 16.7 per cent between 1997–98 and 2006–07 (refer to chart 10.1). Public housing is the largest form of assistance provided under the CSHA.²⁹

Chart 10.1

Real government expenditure on CSHA assistance and CRA (2006-07 dollars)^a



^a Data may not be comparable over time and comparisons could be misleading. Reasons for this are provided in table 16A.79.

Source: CSHA (1999); FaCS (various years); FaCSIA (2007); FaCSIA (unpublished); table 16A.79.

Source: Productivity Commission of Australia (2008, pp. 16.5-16.6).

Waiting lists

10.32 Some witnesses indicated that public housing stock has declined so severely that even those in priority need can no longer access it in a timely way:

One would assume that a person in a women's refuge would move into secure public housing. But that is no longer the case; it is not automatic.³⁰

10.33 According to the AIHW, of the 24 282 households newly allocated to either public housing or state owned Indigenous housing in 2006–07, half were classified as in greatest need. Of those, 50 per cent were housed within 3 months of joining the waiting list, a further 21 per cent were housed within 3–6 months, and 4 per cent waited 2 years or more.³¹

10.34 As detailed in Table 10.2, public housing across Australia is virtually fully utilised, with occupancy rates of 98 per cent in 2007. At 30 June 2007, a total of

29 Productivity Commission of Australia (2008, pp. 16.5-16.6).

30 Mr A Johnson, Australian Council of Social Service, *Committee Hansard*, 2 April 2008, p. 74.

31 Cited in AIHW (2008a, p.16).

176 321 households were on waiting lists for public rental housing, of which 11 700 households were classified as being in 'greatest need'.³²

Table 10.2 Public housing - occupancy rates (per cent)^a

	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>Aust</i>
2003	98.3	96.5	97.9	95.7	94.9	96.8	98.7	93.9	97.1
2004	98.7	96.6	98.7	95.3	95.4	97.4	97.2	93.8	97.4
2005	98.7	97.3	98.6	95.6	96.1	98.0	98.1	94.1	97.7
2006	98.6	97.5	98.9	96.2	96.2	98.4	98.7	95.6	97.8
2007	98.6	97.6	99.1	96.5	97.1	98.7	98.6	95.7	98.0

^a Data may not be comparable between jurisdictions and over time and comparisons could be misleading. Reasons for this are provided in table 16A.6.

Source: AIHW (2003c, 2004c, 2005c, 2006d, 2007a); table 16A.6.

Source: reproduced from Productivity Commission (2008, p. 16.37).

Attitudes to public housing

10.35 The committee heard that, due to the changes that have occurred to public housing over recent years, it is now viewed very negatively by the community and public housing tenants are often stigmatised:

The stigma in this area around public housing is extremely high. I know that people—even my own family—who buy a house and find out that it is public housing next door can often act inappropriately to those people when they could be quite decent people.³³

10.36 This creates difficulties for the expansion of public housing, even if funding is available, as many communities are resistant to the inclusion of public housing in their area, due to the social problems that may be associated with it. For example, in the Northern Territory, Ms Vine Bromley from NT Shelter Inc stated that:

The only public element of the new housing that is going into any of the new suburbs that are opening up in the Territory right now is for seniors, because they are nicer public housing tenants and more acceptable to the community that they will be living in.³⁴

10.37 Notwithstanding the difficulties, there was general consensus among community organisations that 'we really need to get back to a broader social mix in public housing and to spreading it around in a more diversified way'.³⁵ Professor Disney argued that this would best be done through the National Affordable

32 AIHW (2008b, p. x).

33 Ms J McIvor, *Committee Hansard*, 3 April 2008, p. 6.

34 Ms T Vine Bromley, *Proof Committee Hansard*, 28 April 2008, p. 20.

35 Professor J Disney, *Committee Hansard*, 2 April 2008, p. 33.

Housing Agreement, which is to replace the CSHA, and that additional investment would be required:

...at the very least, [we should] restore the funding that has been cut over the last 15 years or so. About \$300 million really needs to be put back in again over the next few years. But we have to get the product right that it is being put back into.³⁶

10.38 While community organisations agree that there needs to be an additional investment in public/community housing, there was less consensus on the quantum:

Just in percentage terms, there are various people who are saying that we need to return to six per cent of housing stock available that is public and community housing. There are groups who say that we need to go much further and have another target of eight per cent and then another target of 10 per cent to ensure that we are not just going back to historical levels but ensuring that we have more stock than we did historically. We have done some modelling on what it would cost in the first year... you are looking at an investment in the first year in a budget cycle of about \$500 million as the starting point to get us to a target of at least six per cent.³⁷

Community Housing

10.39 In addition to public housing, the CSHA also provides mainstream community housing. According to National Shelter 'community housing is, by and large, housing the same client group—with some greater degree of flexibility—as public housing properties'.³⁸ However, community housing differs from public housing in that the tenancy and dwelling management is run by a community-based service provider, rather than by state and territory governments. In addition, 'community housing tenants can attract rent assistance payments from the Commonwealth whereas public housing tenants do not'.³⁹

10.40 Unlike public housing, community housing providers may also offer tenants an opportunity to participate in the decision making and management of the organisation.⁴⁰ Community housing providers also offer a range of support services, including personal support, advice and referral, training and employment support and financial and material assistance.⁴¹

10.41 Many community housing associations allow or even encourage tenants to modify and renovate their houses through a model they call "sweat equity". This not

36 Professor J Disney, *Committee Hansard*, 2 April 2008, p. 33.

37 Mr A Johnson, ACOSS, *Committee Hansard*, 2 April 2008, p. 78.

38 Mr A Pisarski, National Shelter, *Proof Committee Hansard*, 7 May 2008, p. 75.

39 Ms P Winzar, FaHCSIA, *Proof Committee Hansard*, 7 May 2008, p. 10.

40 AIHW (2007a, p. 232).

41 AIHW (2007a, p. 232).

only maintains or improves the value of the house and reduces ongoing maintenance costs, but also increases the tenant's sense of ownership and control over their environment. The Managing Director of Common Equity Housing commented:

The effect of this is that the tenants take great pride in their homes. I talk about the front fence syndrome. We do not just let people paint their front fence; we are actually out there physically encouraging them to do it. Anecdotally that means we pay for the paint and the person paints their fence, but it makes them proud of their house and it has a great effect in the neighbourhood. As I say to people, 'When you're out there painting your front fence, the neighbours talk to you. The neighbours assume you own the house and you're not seen as a welfare housing case.' That is pretty much how our program runs. Our houses are all interspersed in the community, and people do not view themselves as tenants. They view themselves as very proud of being a part of their cooperative, and that is a mentality that I think is really important in good effective social housing.⁴²

10.42 Through offering long-term leases and security of tenure, providing support and referral services, and also by encouraging "sweat equity" community housing is able to provide many of the social benefits of home ownership on health and well being discussed in chapter 2.

10.43 Some Community Housing Associations also support the transition from rental to home ownership, allowing tenants who have developed their earning capacity to purchase their property from them and using the capital to develop another unit of affordable housing elsewhere. This could either take the form of an outright purchase, a limited equity deed, or a share in the association comparable to the housing cooperative model discussed in chapter 11.

10.44 At 30 June 2007 there were approximately 33 557 households living in community housing in Australia. Ninety-four per cent of community housing households were low income households and 5 per cent were identified as Indigenous households. Two-thirds of CSHA community housing was located in major cities, with 20 per cent in inner regional areas and 10 per cent in outer regional areas. The remaining 3 per cent were located in remote and very remote areas.⁴³ As with public housing, occupancy rates in community housing are very high, running at 96.7 per cent in 2006–07.⁴⁴

10.45 National Shelter emphasised that community housing providers are under similar financial pressures to those experienced by the public housing sector:

42 Mr J McInerney, *Committee Hansard*, 23 April 2008, p. 12.

43 AIHW, (2008c, p. ix).

44 AIHW, (2008c, p. 21).

That level of income really does not give public or community housing agencies the ability to grow their systems. They can maintain at a static level what they currently do, but they cannot grow their systems.⁴⁵

10.46 The Committee heard that a number of community housing providers are working together to try and access funds to expand the community housing sector. Mr Murnane, from Argyle Community Housing, advised that five large housing organisations in NSW have formed a development company called Blue Chip, with a view to tendering for government funds to expand the sector:

The New South Wales government have the Affordable Housing Innovations Fund. They have \$8 million, and we are lodging a tender under that program tomorrow... Blue Chip are proposing to acquire government funding, make some contributions ourselves and borrow some money on the private sector. In fact, we have been able to demonstrate—and we have a number of small projects currently underway—that, anywhere in the metropolitan area, we can provide a house for \$160,000 cost to government. So, for the \$8 million that is currently available under the Affordable Housing Innovations Fund, we anticipate that we would be able to produce 50 units of housing.⁴⁶

10.47 Similarly, Mr Murnane told the committee that fifteen national housing providers have got together and formed PowerHousing Australia, which will be able to act on behalf of members at a national level:

PowerHousing has been set up so that organisations like the Commonwealth government, Delfin Lend Lease, Stockland and some of the big developers can go to one organisation, deal with it and then we would share that out amongst the members wherever the need is.⁴⁷

10.48 In addition, because of the additional flexibility available to community housing organisations, state and territory governments are encouraging growth in the sector and a number have, or are considering, transferring some public housing stock to community providers.⁴⁸ For example, Mr Murnane from Argyle Community Housing Ltd, advised the committee that:

We recently took over managing the entire housing property stock of New South Wales Department of Housing in the Wingecarribee Shire, so we manage 390 housing properties of the department in that area. As a result of that transfer, overnight we became the council's largest residential ratepayer and we have been able to negotiate, with local developers and the council, being given some land. We did a presentation to the Wingecarribee

45 Mr A Pisarski, National Shelter, *Proof Committee Hansard*, 7 May 2008, pp 75–76.

46 Mr B Murnane, *Committee Hansard*, 3 April 2008, pp 39–40.

47 Mr B Murnane, *Committee Hansard*, 3 April 2008, p. 40.

48 See, for example, Mrs K Fijac, Department of Housing and Works, Western Australia, *Committee Hansard*, 8 April 2008, p. 9; and Mr M Hehir, ACT Department of Disability, Housing and Community Services, *Proof Committee Hansard*, 7 May 2008, p. 22.

council about the cost of affordable housing in the shire. They set up a housing strategy group and donated some land, and the developer donated some land and sold us other land cheaply. So at the moment we have eight houses under construction in the Wingecarribee Shire.⁴⁹

10.49 There was some question about whether the transfer of public housing stock to community housing was acceptable to the Australian Government as, because community housing tenants would be eligible for rent assistance, it could be perceived as 'double dipping':

It is something we are actually having a look at at the moment... on the one hand we would be concerned if there were massive cost shifting from state governments by transferring their stock into community housing, which would then generate a rent assistance payment. The reason, I suppose, given for not paying rent assistance in public housing is that the Commonwealth has already made a substantial contribution to the cost of that housing, so to subsidise again through rent assistance would be a bit of a double dip. However, having said that, the other side of the argument is pretty convincing also—that is, that community housing, and particularly the tenancy support that they can give people, is certainly a quality product. In many cases they do a fantastic job, so as a model for sustainable housing for low-income people it is very attractive. So we are weighing that at the moment.⁵⁰

10.50 The Department of Family, Housing, Community Services and Indigenous Affairs also questioned how the community housing sector might best develop in Australia:

Whether or not the community housing sector has the capacity to manage significantly larger numbers of housing stock, I do not know. There is also, for me, a bit of an issue about whether or not it is necessary for community housing organisations to own the houses, to have long head leases on the houses or whether or not they can in fact provide that tenancy support effectively to people in private rental also, which could be another option.⁵¹

10.51 National Shelter warned that, without additional investment and support, it would be difficult for the community housing sector to develop to meet growing needs:

We do not have a Housing Benefit like the UK. We do not have the levels of capital resourcing like they do in the UK. We do not have the legislative requirement for local authorities to house people like they do in the UK. Without those sorts of measures sitting around a community housing system, it can be stagnant. It will grow through things like the National Rental Affordability Scheme, but it will not be able to do the full job or be

49 Mr B Murnane, *Committee Hansard*, 3 April 2008, p. 41.

50 Ms P Winzar, *FaHCSIA, Proof Committee Hansard*, 7 May 2008, p. 10.

51 Ms P Winzar, *Proof Committee Hansard*, 7 May 2008, p. 10.

able to cope with the kinds of stock transfers away from public housing to community housing that we have seen in other countries.⁵²

Recommendation 10.3

10.52 In order to meet the immediate need for social housing of highly disadvantaged households, the committee recommends that significant new funding be invested, by both the Australian Government and state and territory Governments, under the new National Affordable Housing Agreement, with the aim of increasing the pool of social housing to at least 6 per cent of housing stock.

Recommendation 10.4

10.53 The committee recognises the strengths that the Community Housing Sector brings to the delivery of social housing in Australia. In order to ensure that these strengths are fully employed, the committee recommends that the Australian, state and territory governments work more closely with Community Housing Associations to support them in meeting their social housing commitments and to explore options for attracting more investment, including private sector investment, into not-for-profit models of housing provision.

Recommendation 10.5

10.54 With a view to building more sustainable social housing in the longer term the committee recommends that the pool of social housing stock be increased to at least 10 per cent of housing stock by 2020, facilitating the entry into social housing of a more diversified mix of low to medium income earners.

10.55 The purchase of this additional social housing stock could be funded by way of low interest loans to state and territory housing authorities and/or community housing providers from the Commonwealth infrastructure fund.

Recommendation 10.6

10.56 As an additional measure to improve the sustainability of social housing, the committee recommends that the formula used to calculate the level of rent paid in social housing be reviewed, with a view to enhancing the sustainability of social housing stock (and, if possible, providing for growth), while maintaining affordability.

10.57 The review should include an examination of the interaction between social housing and Commonwealth Rent Assistance payments, and how these two programmes might be best utilised to maximise socially and economically sustainable outcomes in terms of access to affordable housing.

52 Mr A Pisarski, *Proof Committee Hansard*, 7 May 2008, pp 75–76.

Emergency assistance programmes

10.58 In addition to rental assistance programmes and public and community housing, governments also provide a number of programmes designed to prevent and address homelessness.

Supported Accommodation Assistance Program

10.59 The Supported Accommodation Assistance Program (SAAP) is a joint Australian and State and Territory government programme that provides transitional supported accommodation and support services to people who are homeless or at risk of becoming homeless.⁵³

10.60 According to the Productivity Commission, recurrent funding of SAAP services was \$356 million in 2006–07. Nationally, real recurrent SAAP funding per person has decreased from \$18 in 2002–03 to \$17 in 2006.⁵⁴

10.61 SAAP agencies provide a range of services to homeless people and those at risk of becoming homeless including the provision of crisis housing and short term supported accommodation; medium to long term supported accommodation; outreach support; day support and telephone information and referral.⁵⁵

10.62 Major Eldridge from the Salvation Army indicated that SAAP programmes have 'backed up' and that:

Good services are finding themselves unable to provide beds at the crisis point and unable to secure beds at the exit points. So we need to really look at how we might support that program and deal with the current affordability crisis.⁵⁶

10.63 This was reflected in the data from the SAAP 'Demand for Accommodation Collection', which showed that nationally in 2005–06, 54 per cent of adults and unaccompanied children requesting immediate new SAAP accommodation on a given day were turned away.⁵⁷ Major Eldridge called for the expansion of the SAAP as a 'national response to the needs of households at risk and people experiencing homelessness.'⁵⁸

10.64 The 2008–09 federal budget included a measure 'A Place to Call Home' aimed at reducing the number of people turned away from SAAP services. Under the

53 FaHCSIA website: www.fahcsia.gov.au/internet/facsinternet.nsf/housing/saap_nav.htm

54 Productivity Commission (2008, p. 15.56).

55 Productivity Commission (2008, p. 15.55).

56 Major D Eldridge, *Committee Hansard*, 23 April 2008, p. 39.

57 Productivity Commission, (2008, p. 15.61).

58 Major D Eldridge, *Committee Hansard*, 23 April 2008, p. 39.

initiative \$150 million over five years will be provided to states and territories to create 600 new homes for homeless individuals and families. According to the Budget Fact Sheet:

Instead of going to a refuge, homeless families and individuals will move directly into this housing and receive tenancy and other support for the first 12 months. They will not have to leave the housing at the end of the support period. The housing will be transferred to the general public housing pool and their tenancy extended in accordance with normal tenancy arrangements for public housing.

Indigenous people will be provided with homes and support services at least in proportion to their share of the homeless population.⁵⁹

Recommendation 10.7

10.65 The committee recommends that the Australian Government consider whether the level of increased support to the Supported Accommodation Assistance Program being offered under the 'A Place to Call Home' initiative is sufficient to address the level of unmet need, and increase support to emergency assistance programmes provided by charitable organisations to assist the growing numbers experiencing financial crisis.

Household Organisation Management Expenses (HOME) Advice Program

10.66 The Household Organisation Management Expenses (HOME) Advice Program is a pilot early intervention programme aimed at assisting families who are experiencing difficulties in maintaining tenancies or home ownership due to personal or financial circumstances.⁶⁰ FaHCSIA delivers the programme through a partnership with Centrelink and community agencies in eight locations throughout Australia, one in each state and territory. The South Australian location specifically targets Indigenous families.

10.67 Between 1 July 2004 and 30 June 2007 the HOME Advice Program assisted 1 636 families, including 2 303 adults and 3 438 children. About 60 per cent were single parent families and a further 29 per cent were couples with children. Most families (82 per cent) were in some form of rental accommodation. As outlined in Table 10.3, below, families tended to present to the Home Advice Program with a range of complex problems.⁶¹

59 Department of Families, Housing Community Services, and Indigenous Affairs, (2008).

60 FaHCSIA website: www.fahcsia.gov.au/internet/facsinternet.nsf/housing/fhpp.htm

61 MacKenzie et.al. (2007, p. 11).

Table 10.3: Most common factors contributing to case complexity, 2005–07*

Factor	Per cent (%)**
Sought emergency financial assistance in the past 6 months	51
Few social support networks	50
Debt impairing family / social functioning	51
Family conflict	41
History of family violence	40
Poor budgeting skills	44
Limited employment opportunities	40
Mental illness indicated	36
No reasonable transportation to attend work	19
AVO/restraining/intervention order in place	16

* Source: MacKenzie et.al, (2007), p. 11

** Cases reporting the issue affecting the management of the case as a proportion of all cases in 2005-07

10.68 With the aim of preventing families from becoming homeless, the HOME Advice Program provides a diverse range of support. Key aspects of the programme include:⁶²

- early identification of families at risk and early intervention to prevent homelessness by securing the families' housing situation and resolving the most immediate financial crisis issues;
- an holistic approach that involves working with the entire family, including children, and being Indigenous inclusive;
- a family centred approach that involves working with the family on the full range of issues with which they are faced, with a view to building resilience and achieving sustainable outcomes;
- provision of flexible brokerage services, to provide for timely financial support, and to allow the purchase of additional support services to meet the families needs. This may include assistance to meet rent or mortgage arrears through an initial payment aimed at averting the threat of eviction, followed by the development of a budget incorporating regular arrears repayments; and
- a partnership approach between the community agency providing the HOME Advice Program, Centrelink, and other services. This includes the provision of a dedicated Centrelink Home Advice social worker to provide case management and rapid response to address complex income support issues.

10.69 An evaluation of the HOME Advice Program looked at housing outcomes for families who had passed through the programme in 2005. It found that: 86 per cent of families had remained in adequate housing (79 per cent) or improved their housing situation (7 per cent); 6 per cent had remained in inadequate housing; and 6 per cent

62 MacKenzie et.al, (2007, pp. 17-20).

were in a worse housing situation. The outcome for 5 per cent of families was unknown.⁶³

10.70 The evaluation also followed up clients six to twelve months after participating in the programme to assess the sustainability of outcomes. This follow-up found that around half of the families had not experienced homelessness since leaving the program, a quarter had become homeless at some point and the remainder could not be followed up. If clients seen by the Northern Territory and South Australian HOME Advice services (who had a high proportion of Indigenous clients) were removed from the statistics, the proportion of past participants in the program who had never experienced homelessness increased to almost three-quarters. There was a clear difference between Indigenous and non-Indigenous clients in terms of outcomes, with Indigenous families much more likely to experience a period of homelessness following their participation in the programme.⁶⁴

10.71 In addition to helping prevent families from becoming homeless, the evaluation found that the HOME Advice Program assisted many families to resolve financial problems, particularly problems with Centrelink entitlements or debt, and to meet their goals in relation to employment. Participation in the programme also improved family resilience and community connectedness. The evaluation found that the two variables that contributed most to successful outcomes were:

- the availability of brokerage, allowing families to be supported early in a crisis; and
- the intensity of support provided to families, with arbitrary restrictions on the amount of support that could be made available viewed as being counter productive.⁶⁵

10.72 A number of witnesses were aware of the Home Advice Program and suggested that it should be expanded nation wide:

We have had a good look at—we are not participants in—the trial of the HOME Advice Program. It is a pilot program... It certainly did seem to be a very useful program—talking to some of the providers who have delivered it—in terms of preventing people from falling out of rental housing. They do have some brokerage money. They also have an opportunity to maintain people in their current accommodation and prevent at risk families from becoming homeless. We would like to see that program extended across the country.⁶⁶

63 MacKenzie et.al, (2007, pp 46-47).

64 MacKenzie et.al, (2007, p. 48).

65 MacKenzie et.al, (2007, p 56).

66 Major D Eldridge, *Committee Hansard*, 23 April 2008, p. 39.

10.73 One witness also saw potential for the programme in preventing families from falling out of home ownership:⁶⁷

We would suggest that an expanded version of that program [HOME Advice] could have a very productive role, and it would actually be a better way of maintaining homeownership, getting people into homeownership and keeping them in homeownership than what currently exists... I imagine there are a number of different ways in which it could be followed. It could be a referral program; it could be something that banks refer people to; it could be something that Relationships Australia takes responsibility for...⁶⁸

10.74 In 2005–06 the Home Advice Program was estimated to have cost between \$1 323 and \$3 436 per client, with an average cost per client of \$2 030. If Centrelink contributions were included, the average cost per client was \$3 079. This compared favourably to an average cost per client under the Supported Accommodation Assistance Program, which provides assistance to homeless persons, of \$3 130.⁶⁹ Thus, by helping to prevent families from becoming homeless, the programme was providing savings to the Australian Government, while also achieving positive social outcomes for the families concerned and the broader community.

Recommendation 10.8

10.75 The committee recommends that the HOME Advice scheme be expanded nationally to provide early intervention services for families at risk of homelessness. The scheme should be evaluated after five years, including a comprehensive economic evaluation, to ensure that the expanded programme continues to provide economic and social benefits to the community.

Recommendation 10.9

10.76 The committee recommends that consideration is given to expanding referral pathways to the HOME Advice scheme to include financial institutions, so as to better capture low income mortgagees who may be at risk of becoming homeless (see paragraphs 9.48–9.55).

67 Note: the current programme does not exclude home owners, however, as noted above, the vast majority of clients are in some form of rental accommodation.

68 Professor A Beer, Australian Housing and Urban Research Institute Southern Research Centre, *Proof Committee Hansard*, 28 April 2008, p. 51.

69 MacKenzie, et.al. (2007, p.62).

National Rental Affordability Scheme⁷⁰

10.77 The National Rental Affordability Scheme (NRAS) was announced by the Government on 3 March 2008 as a supply-side response to dealing with the shortage of affordable rental property in Australia. The scheme aims to:

- increase the supply of affordable rental dwellings by 50 000 by 2012;
- reduce rental costs for low and moderate income households; and
- encourage large scale investment in and innovative delivery of affordable housing.

Recommendation 10.10

10.78 The committee recommends that the Australian government encourage applications under the National Rental Affordability Scheme that would target the development of new affordable rental properties in areas of greatest need and/or for communities needing affordable housing for essential services workers.

10.79 Under the scheme, a National Rental Incentive will be available to providers of new dwellings, on the condition that they are rented to low and moderate income households at 20 per cent below market rate. The incentive will be available for a period of ten years, provided that the property continues to be rented to a household that meets the eligibility criteria.

10.80 The annual National Rental Incentive will comprise:

- a Commonwealth Government tax offset or grant of a specified value (\$6 000 initially and indexed annually thereafter according to the rental component of the Consumer Price Index). The Commonwealth contribution will be provided as a refundable tax offset, except to non-profit organisations endorsed as a charity, who may receive the contribution in the form of a grant; and
- a State or Territory contribution in the form of direct financial support of a specified value (\$2 000 per annum) or some other support of equivalent value.

10.81 For the purpose of the National Rental Incentive, dwellings will be regarded as new if they are increasing the supply of lower-cost rental housing. This may include newly constructed dwellings that have never been occupied on a residential basis or are being substantially rehabilitated, such as a motel being converted into residential housing. Refurbishments of existing dwellings will not be eligible unless refurbishment leads to a net increase in the number of dwellings.

10.82 In terms of the eligibility criteria for tenants to ensure continued eligibility for the National Rental Incentive scheme, the discussion paper indicates that this will be

70 Information about the Scheme has been sourced from the Australian Government (2008b).

modelled on eligibility for Commonwealth Rent Assistance or the low income Health Care Card. Table 10.4 provides an indication of the income limits for CRA and low income Health Care Card on which tenant eligibility could be based.

Table 10.4: Income limits

Income limits for continuing eligibility for the CRA are:	
Single age pensioner	\$39 000
Couple, no children, both age pensioners	\$65 000
Working family (FTB recipient) two children under 12 years old	\$67 000
Working family (FTB recipient) three children under 12	\$80 000
Income limits for continuing eligibility for the low income HCC are:	
Single	\$28 300
Couple, no children	\$47 000
Couple, 2 children	\$52 000

Views on the Scheme

10.83 The community sector was generally positive about the National Rental Affordability Scheme. The Australian Council of Social Service indicated that:

We think that it is a big breakthrough, because it provides for the first time a real incentive for people to invest in low-income housing.⁷¹

10.84 It was noted, however, that the scheme had only just been announced and that no details were available about how it would work (unfortunately the discussion paper was not released until after the committee had completed taking evidence). As such, witnesses were only able to talk theoretically about the potential effectiveness of the scheme.

10.85 A number of witness from the community housing sector indicated that they believed the scheme would allow them to expand their operations. For example, Mr Murnane from Argyle Community Housing Ltd stated that:

...we are quite excited about this proposal—there would be I think in rough terms about \$600 million available. The thing that made it exciting for us was that there was about an \$8,000 subsidy to go with it. There was a \$6,000 subsidy over a 10-year period from the Commonwealth and \$2,000 per unit from the state. When we looked at those figures, we could provide housing under that proposal. We have only had a very preliminary look at it, because we have been caught up with other things, but we could provide housing under that scheme, particularly, if those figures were indexed over a 10-year period. We have negotiated arrangements with financial institutions that are more than happy to fund us to be able to develop housing based on the figures outlined in the NRA Scheme. We think that is a positive move.⁷²

71 Mr A Johnson, *Committee Hansard*, 2 April 2008, p. 79.

72 Mr B Murnane, *Committee Hansard*, 3 April 2008, p. 46.

10.86 Others, while supportive of the scheme, questioned whether it would deliver all that it had promised and stressed the need for the scheme to be flexible and responsive to the lessons learnt during implementation:

I think that we need to test the National Rental Affordability Scheme in the marketplace first. I do not think there is any help in just doing some modelling. After all, this is about real investments with real investors, so we need to test it in the real marketplace. I would like to see a guarantee that the scheme can be fine-tuned in response to that.⁷³

10.87 Ms Kakas, from the Property Council of Australia, indicated that she believed that:

...we have the opportunity, if the National Rental Affordability Scheme is properly designed, to bring some maturity and some changes into the marketplace to bring superannuation, developers, trusts and new ways of bringing products to market and to keep investors in place.⁷⁴

10.88 In respect of whether members of the Property Council would participate in the scheme, Ms Kakas advised that:

I think not having the detail certainly adds a level of constraint and speculation which keeps our development people as a whole putting their toe over the sidelines, saying, 'We'd like to participate and we think this has real potential but we really need to see how it is going to work on the ground and whether or not there is some feasibility and flexibility there to allow for innovation to occur.'⁷⁵

10.89 The question of whether institutional investors, such as superannuation funds, would actually participate in the scheme was also raised by a number of witnesses. For example, Mr Sutton from the Construction, Forestry, Mining, Energy Union told the committee that:

...[the] rental package proposal, is hoping that institutional players like super funds will come and fill that space. I am not yet convinced, because we have not seen all the detail or the mechanics of how that is going to work, that it will marry the two things together. I am certainly hoping we can. I myself am a superannuation trustee, and of course you have a fiduciary duty when you sit at the super fund.⁷⁶

10.90 Mr Farrar from the NSW Federation of Housing Associations suggested that, as an incentive to attract institutional investors to the scheme, the government look at underwriting their investment in the short term:

73 Mr A Farrar, *Committee Hansard*, 2 April 2008, p. 9.

74 Ms C Kakas, *Proof Committee Hansard*, 24 April 2008, p. 16.

75 Ms C Kakas, *Proof Committee Hansard*, 24 April 2008, p. 16.

76 Mr J Sutton, *Proof Committee Hansard*, 24 April 2008, p. 5.

It would be prudent at a time like this for government to provide, even if it is only for a temporary period, some underwriting of that risk so that the market can come into the marketplace with an unknown product and some confidence that they are not going to lose their shirts on it. I think they will very quickly learn that it is not a high-risk but a low-risk business.⁷⁷

10.91 The National Rental Affordability Scheme aims to help create an additional 50 000 affordable rental dwellings across Australia by 2012 and, if successful, will offer a further 50 000 incentives from 2012. Some questions were raised as to whether this was achievable in light of the skills shortages faced by the construction industry and other limiting factors, such as land availability.

10.92 In response to these concerns FaHCSIA indicated that

...by the time we get to year 5, we would be thinking that is around about another 20 to 30 additional dwellings at that point—that is 20,000 to 30,000 on top of the hopefully 200,000 dwellings a year that will be being built at that point. We are talking about 2011-12, so in that sense it is not that much of an increase for the industry as a whole.⁷⁸

10.93 Ms Winzar also advised the Committee that, while FaHCSIA had not had explicit discussions with the Housing Industry Association and other stakeholders about whether the industry could deliver an additional 50 000 dwellings, 'the industry associations are well aware of what the government is trying to do.'⁷⁹

10.94 In addition to the concerns raised about whether the National Rental Affordability Scheme will be successful in attracting institutional investors and delivering the full quantum of dwellings, some questions were also raised about whether the scheme will deliver additional affordable housing in the right areas.

10.95 Mr Farrar from the NSW Federation of Housing Associations indicated that he understood that the NSW government had undertaken some modelling:

which suggests that because the market is variable then the incentive is going to work better in places where the need is least and work less effectively in places where it is highest.⁸⁰

10.96 This issue was to some extent acknowledged by the Department of Families, Housing, Community Services and Indigenous Affairs who noted that:

...it may well be that, for an institutional investor, the entry price of such a measure as the National Rental Affordability Scheme is not attractive in Sydney, notwithstanding the prospect of longer term capital growth, and

77 Mr A Farrar, NSW Federation of Housing Associations, *Committee Hansard*, 2 April 2008, p. 9.

78 Ms P Winzar, *Committee Hansard*, 1 April 2008, p. 15.

79 Ms P Winzar, *Committee Hansard*, 1 April 2008, p. 17.

80 Mr A Farrar, *Committee Hansard*, 2 April 2008, p. 9.

that they would prefer to see an investment in Wollongong, Newcastle or Dubbo or in one of the regional centres.⁸¹

10.97 The Department went on to indicate that they are not overly concerned about targeting, at least in the initial rollout of the programme, as 'with rental vacancy levels below three per cent in all capital cities, in a sense it does not matter where they are targeted—because there are rental shortages right across Australia.'⁸² The Department acknowledged, however, that this was an issue that they may need to address over time:

We will monitor the developments as they go along. After about year 2, I think we will have a pretty clear sense about whether or not we need to do something different in some particular areas which still have significant levels of rental stress.⁸³

10.98 The Department also emphasised that state governments could offer additional incentives to attract investors into their state, or into particular housing markets.⁸⁴ This is something being considered at some levels, with the Gold Coast City Council indicating that the Council 'is considering incentives to the private sector in light of the Australian government's National Rental Affordability Scheme.'⁸⁵

10.99 Linked to the issue of whether the National Housing Affordability Scheme will be adequately targeted geographically, is whether it will address the problems being experienced by some communities in ensuring that affordable housing is available for essential workers. As noted above, a number of witnesses to the inquiry stressed that affordable rental housing was required not only to assist lower income earners or welfare recipients who struggle to meet market rents, but also to assist some communities to attract and retain essential workers in high housing cost areas.

10.100 The income levels being proposed as part of the tenant eligibility criteria, as outlined in Table 10.4, would appear to exclude many workers who might be classified as 'essential'. For example, the base salary (before shift penalties) for a first year nurse in NSW is around \$48 000 per annum, and for a probationary constable it is around \$47 000 per annum. Both of these professional groups would be excluded from eligibility for affordable housing under the criteria proposed in the discussion paper.

81 Ms P Winzar, FaHCSIA, *Committee Hansard*, 1 April 2008, p. 17.

82 Ms P Winzar, *Committee Hansard*, 1 April 2008, p. 16.

83 Ms P Winzar, *Committee Hansard*, 1 April 2008, p. 16.

84 Ms P Winzar, *Committee Hansard*, 1 April 2008, p. 16.

85 Ms C McCool, *Committee Hansard*, 15 April 2008, p. 3.

Recommendation 10.11

10.101 The committee recommends that the Australian Government considers how community housing providers and housing cooperatives might be assisted to access funding under the National Rental Affordability Scheme.

Recommendation 10.12

10.102 The committee recommends that the Department of Families, Housing, Community Services and Indigenous Affairs conduct a mid-implementation review of the National Rental Affordability Scheme in 2010 to assess the extent to which it is meeting its objectives.

10.103 The review should examine:

- the extent to which institutional investors have been attracted to the scheme and any barriers to their participation;**
- the number of new dwellings brought on line or in development under the scheme and whether the scheme is on track to meet its target of 50 000 new dwellings by 2012;**
- the extent to which factors such as workforce shortages in the construction industry or land shortages have limited the rollout of the programme;**
- whether the scheme is improving access to affordable rental housing equally across the country, or whether there are geographical pockets of high need that are not being addressed;**
- whether there is a continuing issue of attracting and retaining 'essential workers' in some communities and to what extent, if any, the National Rental Affordability Scheme has addressed this issue; and**
- any additional contributions to the scheme provided by state and territory or local governments and the extent to which these appear to have affected the uptake of the scheme in that state or local government area.**

Other issues

10.104 While home ownership is an important aspirational goal for many Australians, long term rental may be a more attractive prospect if some of the benefits of home ownership could be translated into the rental market. According to the Western Sydney Organisation of Councils:

There appears to be the perception that ownership in its current form is the only form of desirable housing, whereas surveys indicate that what people really want is security of tenure.⁸⁶

86 Western Sydney Regional Organisation of Councils Ltd, *Submission 31*, p. 4.

10.105 Lack of secure tenure was seen as one of the major deficits of the private rental market and something which often prompted people to enter home ownership even when they could not afford to do so:

We have transitional communities because leases are often for six or 12 months and people are moving endlessly. When they are offered the First Home Owner Grant, they think, 'This is an opportunity for me to set up home, to have some security,' but they do not have the income to cover their mortgage.⁸⁷

10.106 Several witnesses suggested that security of tenure might be addressed via the development of more uniform tenancy laws across Australia:

We would like to see a consistent national framework specific to tenancy legislation. It is quite complex at the moment. We operate in a number of states and there does not seem to be any consistency.⁸⁸

10.107 The Australian Council of Social Service suggested that such an approach might be incorporated in the future National Affordable Housing Agreement:

Many international experts have come to the country and said that one of the things that could possibly be done under... the National Affordable Housing Agreement, is to provide a national set of standards for people in the private rental market. Clearly, they are not strong enough.⁸⁹

10.108 It is argued, however, that stronger tenancy laws could provide disincentives for investment in the private rental market, leading to decreased supply and increased housing affordability problems in the longer term.

10.109 A number of witnesses suggested that the best way to address security of tenure in the rental market was to provide people with a more diverse range of tenancy options than are currently available. Housing cooperatives were put forward as one such alternative.

10.110 Mr McInerney, from Common Equity Housing, currently provides community housing on a cooperative basis in Victoria

We ask the tenants to form a local cooperative, usually of between 12 and 20 households, in an area or with an interest group. They form a corporative and manage their own rent collection. They pay rent to their own cooperative and pass on 55 per cent of the rent collected to the company. We service the debt and provide them with assistance, expertise and resources to run their little businesses—they actually run small businesses. They are responsible for the day to day maintenance of their properties, and

87 Ms J McIvor, *Committee Hansard*, 3 April 2008, p. 10.

88 Major D Eldridge, *Committee Hansard*, 23 April 2003, p. 40.

89 See Mr A Johnson, ACOSS, *Committee Hansard*, 2 April 2008, p. 77.

the company does any capital works on the properties. The effect of this is that the tenants take great pride in their homes.⁹⁰

10.111 Under their current scheme, Common Equity Housing owns the houses that are being rented by the Co-operative, however Mr McNerney sees opportunities for equity cooperatives, where people invest in the co-operative and the co-operative provides them with a home, at reduced rent. The co-operative would offer secure tenure and people would be able to decorate the house and make improvements (at their own expense), meaning it would be much more like a home that they actually owned.

With this equity housing, you buy into a company or a co-operative rather than into an individual property and the investment that people put in themselves is protected. They would not get capital gain—that would stay with the not-for-profit provider—but their money would be refundable when they left and probably CPI-ed as well for the duration of the time they stayed in the property...⁹¹

10.112 The submission to the inquiry from the Urban Research Centre provides a more detailed overview of how limited-equity co-operatives work overseas:

In cooperative housing, residents are members and shareholders of a non-profit co-operative corporation holding title to the housing, with ownership of that share granting a right to reside in a housing unit. In market-based cooperatives, share values increase in line with surrounding property prices, but the pooling of resources into the cooperative make initial purchase easier. In limited-equity cooperatives, shareholders are entitled to a limited equity gain on their corporate share at resale; this gain is indexed according to a pre-determined formula which may correlate to CPI or a percentage of surrounding market gain. This ensures that the affordability of the share is retained over time. Housing cooperatives are unique in that residents are shareholders in the corporation owning their home and as such, have ultimate control over the corporation's assets and operations and over the enforcement of restrictions placed on title and occupancy. The terms of occupancy are secured via a lease between the homeowner and the co-operative.⁹²

10.113 The Urban Research Centre also notes that the use of limited-equity housing is quite extensive in some countries, such as Sweden, where market-based and limited-equity cooperatives house over 500 000 individuals, representing 15 per cent of the housing market.⁹³

90 Mr J McNerney, *Committee Hansard*, 23 April 2008, p. 12.

91 Mr J McNerney, *Committee Hansard*, 23 April 2008, p. 13.

92 Urban Research Centre, University of Western Sydney, *Submission 32*, p. 6.

93 Urban Research Centre, University of Western Sydney, *Submission 32*, p. 6.

Recommendation 10.13

10.114 The committee recommends that the Australian Government examine the capacity of the community housing sector to operate as a provider of choice of affordable adaptable housing for people living with a disability, and investigate how it can support this sector to provide more units of appropriate housing.

Recommendation 10.14

10.115 The committee recommends that the Australian, state and territory governments investigate options to encourage community housing associations to develop more housing to meet the future needs of an increasing number of older Australians for affordable and adaptable housing that supports 'ageing in place.'

The Stretton scheme

10.116 Another alternate tenancy model was presented to the committee by eminent academic Professor Hugh Stretton, who proposed a scheme aimed at improving affordable housing by separating the shelter aspect of home ownership from the speculative motive. It would introduce a new 'style of housing which should have the special capacity that it could not be inflated. It could not contribute to the inflation of other housing and might well moderate it somewhat.'⁹⁴ While this model relates primarily to home ownership rather than rental, it is included here because of the rent-to-purchase aspect of the proposal, as outlined below.

10.117 The scheme involves the government sponsoring a public trust which would build and then sell (at cost) homes whose price could not rise faster than the CPI (as they could only be resold back to the agency that sold them). This would exert a dampening influence on overall house price inflation. The homes would be built by private builders who submit competitive tenders and commit to training a quota of apprentices.⁹⁵ For people unable to buy the homes immediately, Mr Stretton suggests the trust could offer them on a 'hire purchase' basis; paying an above-market rent for a number of years but then most of that rent being deducted from the purchase price. At least in its start-up stages, the scheme would require government subsidy, but may be more cost-effective than other forms of housing assistance.

10.118 While Mr Stretton's scheme is innovative, there are some similarities with cooperative housing schemes internationally.⁹⁶

10.119 Given the failure of the housing market in Australia to provide access to appropriate and affordable housing for many Australians, there seems to be value in

94 Mr H Stretton, *Proof Committee Hansard*, 28 April 2008, p. 26.

95 The scheme is described in *Submission 16*, and draws on Stretton (2005).

96 For example, the scheme has similarities with the Community Land Trust model in the United States.

exploring options for alternative forms of rental tenure, which have the potential to provide the security and social benefits usually associated with home ownership, but without the financial cost of a mortgage.

Recommendation 10.15

10.120 The committee recommends that the Department of Families, Housing, Community Services and Indigenous Affairs conduct an independent evaluation of alternative tenancy and ownership models, such as housing cooperatives, currently operating in or proposed for Australia or overseas, to assess their efficacy in providing secure and affordable housing in the Australian context. The evaluation should include a review of any legislative or administrative barriers to the introduction or expansion of such schemes in Australia.

10.121 If the results of the evaluation indicate that there may be a role for alternative tenancy and ownership models in the Australian context, options should be developed for supporting and promoting uptake of such models.