

TASMANIAN GOVERNMENT SUBMISSION TO THE

# Senate Select Committee Inquiry Into Housing Affordability in Australia

April 2008

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# Housing Affordability in Tasmania

## ***Executive Summary – Key Points***

- Housing is a fundamental human need and it is widely recognised that a lack of affordable housing affects health and wellbeing and results in secondary costs to the individual and society beyond the financial cost of accommodation.
- There is evidence of declining housing affordability and an increase in rates of housing stress in Tasmania. The cost of purchasing or renting a home in Tasmania appears relatively low when compared to other states, but rising housing costs have not been matched with rising incomes, this to the extent that Hobart is now one of the least affordable cities in the world. In median terms to buy a house in Hobart now costs 6.3 times the annual household income.
- Housing affordability is a national issue that requires national leadership and national solutions. Declining affordability is not an issue that can be addressed by any one level of government. It is an issue that requires active and constructive cooperation between all levels of government within a whole-of-system housing policy framework;
- Over the last decade the Commonwealth-State Housing Agreement has not adequately met the needs of targeted recipients, primarily due to financial constraints arising from historic debt under the Agreement;
- The Tasmanian Government welcomes the leadership demonstrated by the new Commonwealth Government on housing affordability issues and is actively working through the Council of Australian Governments (COAG) to progress a broad range of affordable housing initiatives.
- Housing affordability is an area of great concern to Tasmanians and it is an area in which the State Government has been active, particularly in the development and implementation of the *Affordable Housing Strategy* and the creation of Tasmania Affordable Housing Limited; and the recently announced injection of a further \$60 million for public housing and the

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development of social inclusion strategies to address homelessness.

- Housing affordability is a complex issue. Governments need to be careful about developing policy responses that have the potential to exacerbate problems in housing affordability. Supply of housing is fairly inelastic, and measures that aim to 'ease the burden' are likely to drive up demand and do little to meaningfully address housing affordability.

## **Housing impacts on broader social and economic wellbeing**

Housing is a fundamental human need and it is widely recognised that a lack of affordable housing affects health and wellbeing and results in secondary costs, to the individual and society, beyond the financial cost of accommodation.

*Housing provides people with shelter, security and privacy. Having an adequate and appropriate place to live is fundamental to people's wellbeing, and there are many aspects to housing that affect the quality of people's lives. Dwelling attributes, such as size, number of bedrooms, physical condition, location relative to amenities and services, and affordability, are all-important in this regard. Unmet housing needs generally are related to low levels of socio-economic wellbeing and are often associated with other areas of concern such as poor health, economic hardship, crime and low levels of social cohesion'<sup>1</sup>*

Evidence indicates that there is a relationship between access to affordable housing and a number of critical socio-cultural factors. The Australian Housing and Urban Research Institute (AHURI) has found that there is a clear connection between housing and crime, housing and social exclusion, housing and poverty, and housing and access to the labour market.

The research suggests that improved housing does not in itself negate other social problems such as illness, unemployment, poor educational outcomes, crime and so on. However, it provides a base from which a person can address these problems. In other words, housing needs to be tackled in tandem with other areas of social disadvantage to achieve long-term improvement in outcomes.

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<sup>1</sup> Australian Bureau of Statistics (ABS), *Measures of Australia's Progress*, cat. no. 1370.0, ABS Canberra, 2006, p84

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Little economic modelling has been undertaken on links between housing assistance and wellbeing due to the difficulty of measuring it in dollar terms. No modelling is currently available on the costs of these relationships in Tasmania. However, the recent establishment of a Social Inclusion Unit within the Department of Premier and Cabinet may help to address this situation.

## **Social impacts**

### **Health and wellbeing**

Most studies conclude that the best indicator of health overall is socio-economic status (regardless of housing tenure type)<sup>2</sup>. However, research has found that, in general, renters have worse health than home purchasers or owners, with renters significantly more likely to visit doctors. Moreover, it shows that “socio-economically disadvantaged people with access to public housing tend to have better health outcomes than those in private rental accommodation”.<sup>3</sup>

### **Crime**

An increase in property prices, along with increased interest rates and population growth, has meant that people on lower incomes tend to seek housing in more affordable suburbs where the housing stock is cheaper and where it is common for public housing to be clustered.

Some of the more affordable suburbs experience geographic isolation from the main urban areas, a lack of services and facilities, higher unemployment and more expensive travel costs. These factors may contribute to further isolation and increase the risk factors associated with antisocial and criminal behaviour for children, young people and their families.

These risk factors are highlighted in research conducted by National Crime Prevention, which highlights the importance of the social context in which children grow up. Social contexts make a difference to the skills, strategies, or identities that individuals develop. The risk of crime is exacerbated by not providing meaningful opportunities for young people, and by not promoting the attachment of individuals and communities to institutions such as families and schools.<sup>4</sup> Housing is a key component of this social context.

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<sup>2</sup> Ambrose argues that “The interface between living conditions and health is a complex one and it was accepted.... that it would be futile to search for any simple “cause/effect” relationships”. P Ambrose, *Some Way Short Of Holism: United Kingdom Urban Regeneration And Non-Housing Outcomes*, Occasional Paper, Queensland Department of Housing, 2001.

<sup>3</sup> A Waters, *Do Housing Conditions Impact On Health Inequalities Between Australia's Rich And Poor? (Final Report)*, Australian Housing and Urban Research Institute, Melbourne, 2001.

<sup>4</sup> National Crime Prevention., *Pathways to prevention: Developmental and early intervention approaches to crime in Australia*, 1999.

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There is therefore more likelihood of offenders coming from or living in postcode areas of high social disadvantage.<sup>5</sup> Data indicates that thefts and other crimes are much more likely to occur in and around small public housing areas.

### **Family, community and social cohesion**

First home ownership is increasingly difficult, with two salaries often required to enable a family to service a housing loan. For this reason single people are being prevented from buying and have to remain in the private rental market.

Tasmania has a higher proportion of one-parent families (16.7 per cent) than the national average of 15.8 per cent. These smaller family units have correspondingly smaller incomes to service housing costs.

A lack of affordable housing can have a significant impact on children and young people and expose them to high-level risks associated with a nomadic or unstable lifestyle. Some of these risks include disengagement with school, negative interaction and social isolation from the community.

### **Education and training**

Those whose parents are homeowners will on average have a higher educational attainment than those whose parents are renters. This is because tenure type can be read as a proxy for a range of indicators, for example income, employment history and education, not because the tenure type itself causes a particular outcome<sup>6</sup>. Poorer educational attainment is correlated with being from lower socio-economic status households and having parents with low educational attainment. Residents of public housing are over-represented in these categories.

Nevertheless, public housing provision seems to contribute to positive educational outcomes for children. Research found that parents who had been allocated public housing believe strongly that their children's educational performance had improved.<sup>7</sup> An AHURI study found that tenure types are correlated to educational outcomes and that home ownership is positively associated with children's educational attainment.<sup>8</sup>

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<sup>5</sup> T Vinson, *Community Adversity And Resilience: The Distribution Of Social Disadvantage In Victoria And New South Wales And The Mediating Role Of Social Cohesion*, Jesuit Social Services, Melbourne, 2004.

<sup>6</sup> Shelter New South Wales, *Public Housing and Non-Housing Outcomes – A Background Paper*, Shelter New South Wales, March, 2005.

<sup>7</sup> Phibbs and Young *Housing Research and Non-Shelter Outcomes (Final Report)*, Australian Housing and Urban Research Institute, Melbourne, 2005.

<sup>8</sup> P Mullins, J Western and Broadbent, *Examining The Links Between Housing And Nine Key Social Cultural Factors (Final Report)*, Australian Housing and Urban research Institute, Melbourne, 2001, p33

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In 2004 the Tasmanian Department of Education published a report entitled *Early School Leaving in Tasmania: Origins and Outcomes*, which surveyed year 10 students from 2001 who did not continue at school in 2002. Of this cohort 7 per cent (80 students) reported that they had left school for personal and family-related reasons. Homelessness was cited as a reason along with instability, mobility, pregnancy, mental health problems and ill-health of parents.

Homeless students face a range of issues in successfully completing their education, such as difficulties in completing homework, accessing online information, preparing for exams and maintaining school clothes. Such difficulties contribute to low attendance and ultimately for some students to leaving school early.

Students undertaking vocational education and training face similar issues. TAFE Tasmania reports that many students are quite significantly affected by a lack of affordable housing. Individual students with housing problems are a regular part of TAFE counsellors' workloads - whether it is because of a lack of accommodation or inability to afford what is on offer. Despite the assistance counsellors provide, including helping students find and apply for housing, there are many cases of people dropping out of study.

## **Economic impacts**

### **Workforce and employment**

Although more poor Australians live in private rental accommodation than in other housing tenure, research into the relationship between housing and non-housing outcomes shows that poverty rates are higher among public housing tenants.<sup>9</sup> The low income of public housing tenants has real quality of life implications. It is argued that the concentration and marginalisation of people in social housing areas where jobs are relatively scarce, reinforces barriers to securing permanent employment for institutional, financial, and behavioural reasons.<sup>10</sup>

Research into the relationship between housing and employment suggests that unemployment and low-income prospects narrow the long term housing opportunities of people living in public housing areas. This reinforces patterns of marginalisation and social exclusion. An examination of the interrelationship between house prices in one region and higher than average unemployment in another, suggests that high house prices in one region may ramp up unemployment in other regions. Those who cannot afford to live in high-cost job-rich areas leave for

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<sup>9</sup> Mullins, Western and Broadbent, p9

<sup>10</sup> R van Kempen and H. Priemus "Undivided Cities in the Netherlands: Present situation and Political Rhetoric", *Housing Studies*, vol 14 (5), 1999, pp 641-657 30

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lower housing cost areas and consequently are more likely to suffer higher unemployment.<sup>11</sup>

Geographic polarisation can create financial strain on less skilled workers and can deter them from seeking employment. It can also make it difficult to attract key workers to central locations. While this is a less of a problem in Tasmania's urban centres than it is in major capital cities because of the relatively short journey-to-work distances, poor transport infrastructure can exacerbate this polarising effect. The trend in all city centres is the loss of low cost private rental accommodation as inner city areas are gentrified and higher income earners often take up housing in these areas. This also creates a problem for students who need to live close to educational institutions.

There are indications that shortages of affordable housing near major employment centres may be acting as a labour market constraint – both because of transport cost barriers for low skill employment and in terms of reduced amenity as a factor in attracting people to high skill positions in a competitive market (e.g. skilled health workforce).

## **Homelessness**

Homeless people are without settled accommodation and do not have access to the economic and social support that a stable home normally affords.<sup>12</sup> There are many, often interrelated, personal and situational factors that may cause people to become or remain homeless. These include family breakdown, drug abuse, gambling, mental health problems, domestic violence and poverty.<sup>13</sup> Housing stress can exacerbate these issues and lead to homelessness.

There are a number of ways of defining homelessness (refer to Appendix A). However, it is clear that lack of access to appropriate affordable housing directly contributes to both the level and duration of homelessness. The economic costs of homelessness include the direct cost of provision of emergency accommodation and support services.

Historically, the Supported Accommodation Assistance Program (SAAP) has been the primary response to homelessness by governments. Over a five-year period (2005-2010) the Australian and Tasmanian Governments agreed to provide \$75 million towards SAAP services in Tasmania. During 2005-06, SAAP assisted 4,450 clients in Tasmania. A further 2,150 accompanying children were also supported.

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<sup>11</sup> C Bridge et al, *Housing Assistance And Non-Shelter Outcomes (Final Report)*, Australian Housing and Urban research Institute, Melbourne, 2003

<sup>12</sup> See Appendices for the formal definition of homelessness.

<sup>13</sup> Australian Bureau of Statistics (ABS) (2006), *Measures of Australia's Progress*, cat. No. 1370.0, ABS Canberra. p155

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Modelling of the broader economic cost of homelessness in the United Kingdom and the United States of America indicates that societies can expect substantial gains from alleviating homelessness. It was reported that the most extensive Australian study to date found that the lifetime net benefit of keeping homeless young people in formal schooling totalled \$474 million (in 1994 dollar terms).<sup>14</sup>

The Tasmanian Government is committed to tackling the problem of homelessness in a timely and practical way. In March 2008 the Government committed to establishing a benchmark figure for homelessness in Tasmania and halving the number of people sleeping rough by 2010. To assist in delivering these commitments the Government has appointed an internationally renowned housing expert to advise it on new ways to reduce homelessness and boost Tasmania's housing stock.

The Government has also committed to developing a whole-of-government social inclusion strategy with a strong initial focus on addressing homelessness within the community. To this end it has established a social inclusion unit within the Department of Premier and Cabinet to generate practical solutions to address problems of disadvantage and will shortly appoint a Social Inclusion Commissioner to advise the Government on how to make a difference in these areas.

This is additional to the work being conducted through the Council of Australian Governments (COAG) to address homelessness, through the *A Place to Call Home* initiative.

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<sup>14</sup> Berry et al, *A Systematic Review of Cost Effectiveness and Cost Benefit Studies of Homelessness*, 2003



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## The housing market and housing affordability in Tasmania

### Housing tenure in Tasmania

Tasmania's housing system comprises three main types of tenure:

**Privately owned or purchasing** – houses that are either owned or being purchased by their occupants;

**Private rental** – households that are renting their home on the private rental market;

**Social housing** – includes households in state-owned public housing, not-for-profit community housing, crisis and transitional housing and community-run Indigenous housing.

Tasmania's 'affordable housing system' is defined as including public and community housing, low cost private rental and moderately priced housing for home ownership.

The housing system is interrelated and is shaped by a combination of market forces and government regulations and interventions. Changes to one part have effect in other areas of the system. For example, potential first homebuyers are renting for longer because they either cannot afford to buy into the buoyant housing market or because they need to rent longer to save for a deposit. The private rental market is tighter and more competitive as a result, which is borne out by the current high occupancy rates in private rentals in Tasmania. The tighter rental market is in turn a barrier to those public housing tenants who, because of an improvement in their circumstances, decide to access the private rental market. This can result in less people leaving public housing, and consequently decreased availability for those on waiting lists.

### Housing occupancy and costs

#### Privately owned or purchasing

According to the 2006 Census, there were 181,902 households occupying private dwellings in Tasmania, with 71.2 per cent of households owning or purchasing their home. This compares with 68.1 per cent of households that own or are purchasing their home Australia-wide.<sup>15</sup>

While this is up from the 69.8 percent registered in 2001, the 2006 Census

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<sup>15</sup> Australian Bureau of Statistics (2007) *2006 Census of Population and Housing*, Australian Bureau of Statistics, Canberra

has tracked a decline in the proportion of people fully owning their homes, with a higher proportion of homes still being purchased. This indicates a slower rate of people finalising their mortgages, which may be due to the increase in Tasmanian house prices since 2001. It could also be the result of people 'realising' the increased equity in their homes and borrowing more money against it.

Table 2 compares tenure types in Tasmania and Australia between 2001 and 2006.

**Table 2 – Tenure types in Australia and Tasmania in 2001 and 2006**

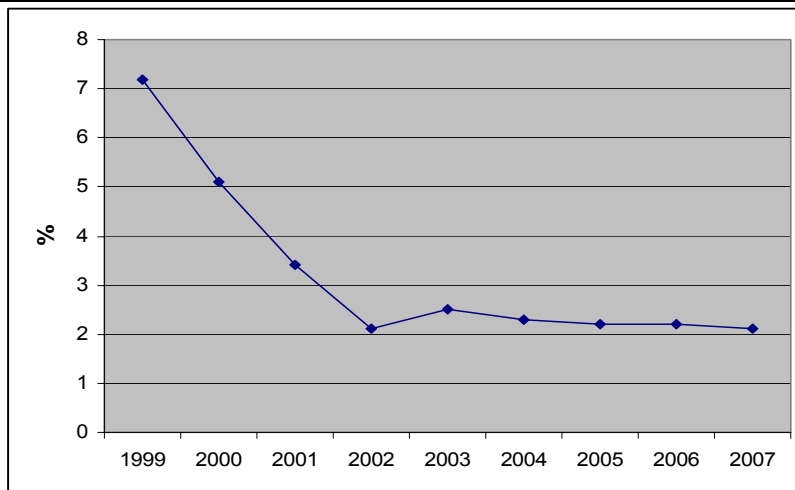
| Tenure Type          | Tasmania                                |   | Tasmania                                |   | Australia |      | Tasmania<br>change<br>from 2001<br>(pp) | Differential<br>with<br>Australia in<br>2006 (pp) |
|----------------------|---|---|---|---|-----------|------|---|---|
|                      | 2001 Censu<br>s % of<br>respondent<br>s | 2006 Censu<br>s % of<br>respondent<br>s | 2006 Censu<br>s % of<br>respondent<br>s | 2006 Censu<br>s % of<br>respondent<br>s |           |      |   |   |
| Fully owned          | 41.6                                    | 37.8                                    | 34.0                                    | 34.0                                    | -3.8      | 3.8  |   |   |
| Being<br>purchased   | 28.2                                    | 33.4                                    | 34.1                                    | 34.1                                    | 5.2       | -0.7 |   |   |
| Rented               | 24.1                                    | 25.1                                    | 28.1                                    | 28.1                                    | 1.0       | -3.0 |   |   |
| Other tenure<br>type | 2.5                                     | 0.8                                     | 0.8                                     | 0.8                                     | -1.7      | 0.0  |   |   |
| Not stated           | 3.6                                     | 2.9                                     | 2.9                                     | 2.9                                     | -0.7      | 0.0  |   |   |
| <b>Total</b>         | <b>100.0</b>                            | <b>100.0</b>                            | <b>100.0</b>                            | <b>100.0</b>                            |           |      |   |   |

## Private rental

As figure 1 shows the private rental market has tightened significantly since 2002. The private rental market vacancy rate in Tasmania decreased from 7.2 per cent in 1999 to 2.1 per cent in 2007. Census figures show that the number of households paying above \$139 per week in rental costs has increased over the past 10 years from 17 per cent in 1996 to 51 per cent in 2006. Census figures also show that the number of households in Tasmania paying more than \$550 per week has increased from 97 in 1996 to 375 in 2006.

**Figure 1: Private Rental Vacancy Rate in Tasmania<sup>16</sup>**

<sup>16</sup> Real Estate Institute of Tasmania, The Tasmanian Property Market Report.



Based on the 2006 Census, private rental in Tasmania accounts for around 16.4 per cent of households; public housing 5.7 per cent and community housing around 0.6 per cent. 'Other landlord type' represents 2.4 per cent, an additional 3.7 per cent of housing includes other tenure types or not stated.

## Housing affordability

It is broadly accepted that housing is affordable when the costs of housing (in rent or mortgage repayments) represent no more than 30 per cent of the gross household income of those households in the lowest 40 per cent of income distribution. Where housing costs represent more than 30 per cent of the income in these households, the household is said to be in housing stress.

Housing affordability depends on a range of factors, including but not limited to housing market conditions, government taxation and planning policies, household incomes and the cost of finance. In recent times the effect of rising interest rates has combined with increasing real house prices to lower housing affordability.

There has been strong growth in property prices over the past seven years that has been positive in terms of economic growth. The downside of this has been that low-income earners, and, increasingly, middle-income earners have considerably less ability to access affordable housing.

Evidence indicates that house prices rose strongly in Tasmania and across the rest of Australia between late 2002 and 2004. While a return to more moderate house price increases has been evident since mid-2004, it is now considered that there has been a permanent shift in the level of house prices in Tasmania. It is not expected that house prices will return to the level experienced before the boom in the housing market.

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The REIA *Home Loan Affordability Report* relating to the March quarter 2007 states that affordability was 3.2 per cent lower than it was in the March quarter of 2006. The REIA Home Loan Affordability Indicator was 30.7 in the March quarter 2007, well below the longer-term average of 49.6 recorded for the period from 1980 to 2007.<sup>17</sup> This means that home loan affordability has declined significantly since 1980 because the affordability indicator declines as home loan affordability declines.

House prices in Hobart and across Tasmania appear to be affordable in comparison to other major Australian cities. However, when compared to average income, the cost of purchasing a home is relatively unaffordable in Tasmania. ABS 2006 Census data shows that average incomes in Tasmania were 6 per cent below the national average and that Tasmanians had the lowest median weekly housing income with an average of \$801 compared with \$1,027 nationally. Net household worth was also lower in Tasmania.

The cost of living in Tasmania is increasing quite rapidly. The proportion of the cost of essentials as a percentage of income for low-income families was 73 per cent in 2001 and 98.67 per cent in 2007. This data is based on mortgage costs and has been calculated using the average sale value for the cheapest Hobart suburb.

According to *Demographia*, which classifies the affordability of housing markets in Australia, Canada, Ireland, New Zealand, the United Kingdom and the United States, the housing affordability crisis is most pervasive in Australia and New Zealand, each with an overall multiple median of 6.3.<sup>18</sup> A median multiple of 5.1 is classified as severely unaffordable.

### **Table 1 - The affordability of Australian cities**

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<sup>17</sup> The REIA Home Loan Affordability Indicator is calculated as the ratio of family income to average loan payments where an increase in the indicator denotes easier affordability.

<sup>18</sup> The median multiple is obtained by dividing the median house price in a city by the median income of the citizens of that city.

| Rating                  | Median Multiple | Australian Cities   | No. of international cities surveyed |
|-------------------------|-----------------|---|--------------------------------------|
| Affordable              | 3.0 or less     | ...   | 42                                   |
| Moderately Unaffordable | 3.1 to 4.0      | ...   | 36                                   |
| Seriously Unaffordable  | 4.1 to 5.0      | Canberra (4.9)  | 21                                   |
| Severely Unaffordable   | 5.1 and over    | Sydney (8.6)<br>Perth (8.0)<br><b>Hobart (6.3)</b><br>Melbourne (7.3)<br>Adelaide (6.5)<br>Brisbane (6.4)<br>Darwin (5.6) | 52                                   |

Hobart's "severely unaffordable" rating of 6.3 was calculated on the basis of median house prices and median annual household income drawn from ABS data adjusted to current estimates. The median house price was taken as approximately \$270,000 and the median annual household income was \$41,652. In short buying a house in Hobart costs approximately 6.3 times the average annual household income in median terms.

Latest figures from the Real Estate Institute of Australia indicate that the median house price in Hobart is now \$317 000.

That is why the Tasmanian Government has invested in a broad range of initiatives to address housing affordability in the State.

### First homebuyers

In 2006-07 there were 2,100 first home buyers in Tasmania compared with 2,900 in 2001-02, a decrease of 38%.<sup>19</sup> This supports the widely held perception that the increase in house prices has made it much more difficult for first homebuyers to enter the market. Nationally, the proportion of new homes going to first homebuyers has declined. Over the ten years to 2003-04, the proportion of young Australians aged 18-34 owning or paying off their own home decreased from 48 to 44 per cent. As a proportion of all house purchases, first homebuyers fell from 21.8 per cent in June 1996 to 17.5 per cent in February 2007.<sup>20</sup>

<sup>19</sup> ABS, *Tasmanian State and Regional Indicators*, December 2007, Cat. 1307.6.

<sup>20</sup> ABS: *Housing Finance Australia*, February 2007, 5609.0.

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In 2006-07 the average home loan for first home buyers was \$164,000. This represented a 122.5% increase on the 2001-02 average of \$73,900. So, while it is true that the increase in house prices for home-owners represents an increase in wealth, for people looking to purchase their first home in a period of increasing housing prices, entry into the real estate market requires a much larger commitment to service a home loan repayment. .<sup>21</sup>

### **Increased demand in the private rental market**

This trend has created a blockage in the private rental market as people stay renting for longer and fill up more affordable rental properties as they save for a home. As these people are no longer moving out of private rental at a steady rate, low-income people are finding it difficult to secure a rental property. Lack of investment in the private rental market means that the stock does not increase and increased demand drives rent up. One impact of rising interest rates and resultant increased mortgage repayments is a corresponding increase in rents.

### **Housing stress**

For most people purchasing or renting a house, meeting housing costs represents a significant proportion of their disposable income. This is particularly so for households with low incomes. The proportion of household income required to meet housing costs is a key component of housing affordability. People with low economic resources and high living costs may experience hardship especially if they live in areas with high land and house values.

The recent increase in house prices in Australia has seen a corresponding decrease in housing affordability. This is reflected in an increasing number of households experiencing housing stress in Tasmania.

According to the ABS, in 2003-04 22.5 per cent (or 610,000 Australian households) with a mortgage paid more than 30 per cent of gross income in mortgage repayments nationwide. This represents an increase of 30 per cent from 2000-01.<sup>22</sup> There has also been a concurrent increase in mortgage defaults and bankruptcy.

For renters, a conservative estimate puts the amount of Australian households experiencing housing stress at 250,000. The National Centre for Social and Economic Modelling has estimated that the number of households in housing stress will increase to up to 400,000 by 2010, representing an increase of almost 40 per cent in four years.

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<sup>21</sup> ABS, *Tasmanian State and Regional Indicators*, December 2007, Cat. 1307.6

<sup>22</sup> ABS 4130.0 (2006), 'Housing Occupancy and Costs in Australia'.

Data from the 2006 Census indicates that 22,846 Tasmanian households (12 per cent) were in housing stress in 2006. Housing stress is particularly affecting the most vulnerable households in the community – low-income earners in lone person households and people aged over 65 years of age.

Consequently, one of the Tasmanian Government's major areas of focus has been to support low to moderate income earners in housing stress.

In 2004 there was an examination of housing stress in Tasmania with respect to life-cycle groups who are particularly at risk<sup>23</sup>. The analysis in Table 3 below indicates that the household group most prone to housing stress is lone people aged under 35 and over 65 years. The projected growth for this cohort by 2026 was between 86 and 100 per cent, which corresponds to between 4,460 and 4,800 households. This equates to approximately one in five of all households in housing stress.

**Table 3: Projected growth of life-cycle groups in housing stress, Tasmania.<sup>24</sup>**

| Life-cycle group             | Number of households in stress, 2001 | Growth rate, 2001–2026 |
|------------------------------|--------------------------------------|------------------------|
| Lone people <35 yrs          | 2 300                                | Stable (0.6%)          |
| Lone people >65 yrs          | 2 400                                | Growth (86–100%)       |
| Lone parents/children        | 2 000                                | Limited growth (11.5%) |
| Couples with children <14yrs | 1 000                                | Decline (–32%)         |
| <b>Total</b>                 | <b>7 700</b>                         |                        |

## Demographic change

Demographic change is having a significant impact on housing markets. Tasmania has a high ratio of single-parent families, with the highest rate of lone mothers with children (22.1 per cent) and the second highest rate of sole fathers with children (3.4 per cent) in Australia. Almost a quarter of Tasmania's children (24.4 per cent) are living in families where neither parent is employed.<sup>25</sup> Tasmania also has a highly dispersed

<sup>23</sup> M Gabriel, *Housing Stress in Tasmania: Recent Trends and Future Projections*. Housing and Community Research Unit, University of Tasmania, Hobart, 2004.

<sup>24</sup> *ibid*

<sup>25</sup> Australian Bureau of Statistics (2006), *Australian Social Trends, 2006 Cat No 4102.0* Australian Bureau of Statistics, Canberra, p33.

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population with only 42 per cent living in metropolitan areas<sup>26</sup>. Finally, Tasmania's population is ageing.<sup>27</sup> This has resulted in an increasing number of aged single people living alone.

Tasmania has the most regional and dispersed population of any state in Australia with almost 60 per cent of the population living outside the capital city but populations in some local government areas are decreasing despite the current increase in the State's population.

These demographic factors are contributing to changes in household formation and increasing demand for affordable housing in Tasmania. It has particularly resulted in greater demand for smaller housing to cater for the increasing number of people living alone.

The growing number of people living alone means a corresponding increase in the number of households paying their mortgage or rent on one income only.

## **The housing system and policy context**

### **Commonwealth – State housing frameworks**

Declining affordability is not an issue that can be addressed by any one level of Government. It is an issue that requires active and constructive cooperation between all levels of Government within a whole-of-system housing policy framework.

Until the election of the current Federal Government, the key Commonwealth-State housing assistance policy and funding frameworks have been the:

- Commonwealth State Housing Agreement (CSHA);
- Supported Accommodation Assistance Program (SAAP);
- Community Housing and Infrastructure Program (CHIP); and
- First Home Owners Grant (FHOG).

### **The Commonwealth–State Housing Agreement**

Although the Tasmanian Government delivers state-specific public housing assistance, it is constrained by the funding arrangements established under the Commonwealth-State Housing Agreement (CSHA).

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<sup>26</sup> Derived from Australian Bureau of Statistics 2006, *Australian Demographic Statistics March Quarter 2006* Cat. No 3101.0 Australian Bureau of Statistics, Canberra, Tables 4 and 5.

<sup>27</sup> The median age of Tasmanians has increased from 34 years in 1996, to 36 years in 2001 and to 39 years in 2006.



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The current five-year CSHA, which is due to expire in June 2008, is an agreement between the Commonwealth Government and the states and territories that sets the broad parameters for public housing provision in Australia. While its primary focus is the capital provision of public housing, some funding (generally tied) is also provided for community housing and Aboriginal housing, crisis accommodation and private rental and home ownership support.

The purpose of the agreement is to provide funding to deliver appropriate, affordable and secure housing assistance for those who most need it for the duration of their need.

The CSHA has been the main funding source for public housing in Australia since 1945, with the states matching Commonwealth funding for housing projects in each jurisdiction. The agreement funds capital investment only, meaning that the funds are to be used only for the acquisition or upgrading of public housing, rather than to support recurrent operating costs, which are to be funded by tenant rent contributions. However, increased targeting of people with high needs and low or negligible income has had a significant impact on the ability to recoup costs through rent contributions. The rising costs associated with maintaining ageing stock is also contributing to a highly constrained financial environment for public housing across the nation.

The policy direction of the two most recent agreements has narrowed the focus of public housing from all people in receipt of low incomes to households with high or special needs. This has entailed the provision of more specialised accommodation and services to support tenancies. Consequently, the cost of service provision has increased sharply. Moreover, revenue streams are reduced as generally those with high needs are on the lowest incomes and housing authorities use income based rent models.

A critical issue for Tasmania, and other states, is the fact that capital funds are, of necessity, being used to meet the shortfall in recurrent operating costs. In addition, Tasmania has a historic debt of \$247 million and receives around \$22 million per annum under the current CSHA. Of this, \$16.7 million per annum is required to pay CSHA debt. Waiver of this debt by the Commonwealth Government would allow jurisdictions to better address ongoing public housing viability issues.

The role of public housing as the predominant form of government housing assistance has diminished over time as the profile of households has changed and the diversion of Commonwealth funding from the CSHA to Commonwealth Rent Assistance (CRA)<sup>28</sup> has grown. This has led to a fall in real funding levels under the CSHA.

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<sup>28</sup> CRA is a non-taxable income supplement payment to eligible recipients renting in the private market.

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While states have provided security of tenure for existing tenants, access by new households has increasingly been limited to the most disadvantaged households and those with special needs. In this more complex and financially constrained environment, states have sought to expand non-public housing options to provide more and increasingly flexible housing assistance, including more effectively leveraging public investment through the strategic involvement of not-for-profit and private sectors.

In response to the declining real value of the CSHA, all state housing authorities have provided additional monies in the affordable housing area. The yet-to-be released Independent Audit of Government Contributions to Housing Assistance found that states and territories have provided funding well beyond their matching requirements of the CSHA.

In Tasmania an additional \$45 million was allocated in December 2003 to the Affordable Housing Strategy 2004-2008. In 2005 the Tasmanian Government committed a further \$24 million over four years for the development of an Affordable Housing Organisation for the provision of up to 700 new affordable private rental opportunities (further detail on these initiatives is provided later).

Since mid 2006 Housing Tasmania has been working with other state and territory housing authorities and the Commonwealth Government on a successor agreement to the current CSHA.

Uncertainty about the future of the CSHA has to date not allowed the Tasmanian Government to strategically plan for the future of its public housing system. This situation can only be remedied by a renewed agreement under which appropriate levels of funding are provided. The decline in real funding by the Commonwealth requires redressing if public housing in Tasmania is to be sustainable in the future and if demand is to be met.

With the election of the Rudd Labor Government a new set of priorities for addressing housing affordability has been developed and is being progressed through COAG. This includes the negotiation of a new National Housing Affordability Agreement to replace the current CSHA, which expires in June, and which builds on previous agreements and includes housing for Indigenous people.

Issues related to the current funding model under the Commonwealth State Housing Agreement are outlined further in Appendix B.

### **Commonwealth Rent Assistance Program**

The Commonwealth Rent Assistance (CRA) Program provides around \$2.1 billion of income assistance directly to approximately one million eligible low-income private renters. It is not provided to households that

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are privately owned or are under purchase, nor is it provided to recipients of public housing.

Regional differences in rents, household incomes and household structures, interacting with the Australia-wide settings of CRA, result in regional variations in the impact of CRA upon housing affordability.

By changing the nation-wide settings of CRA, policy-makers can alter the geography of housing affordability. For example, a decrease in the minimum rent threshold of CRA would tend to improve affordability for those in regional Australia. An increase in the maximum rate of CRA could improve affordability for those in metropolitan areas<sup>29</sup>.

CRA is currently limited to the private rental sector only, and does not extend to homeowners. Households who have difficulty servicing loans therefore cannot access CRA.

Public housing tenants are not eligible for CRA. Should the Commonwealth Government stop funding housing authorities through the CSHA, housing authorities are further disadvantaged by not being able to lever CRA from tenants in order to cover recurrent costs. Housing authorities are not able to charge market rents to increase rental revenues, as rents would be unaffordable to tenants. Extending CRA eligibility to public housing tenants would significantly contribute to the viability of public housing, especially given rents are supposed to pay for ongoing operation and maintenance.

## **The COAG Affordable Housing Agenda**

COAG has identified the decline in housing affordability as a pressing issue for Australians and recognises that improving affordability is critical to address financial stress and disadvantage, including Indigenous communities.

During the 2007 election campaign, Federal Labor announced a number of initiatives designed to respond to the decline in housing affordability throughout Australia. Progress under five of these initiatives is now being driven through the COAG Housing Working Group. The Working Group is chaired by the Federal Minister for Housing, with Tasmania as deputy-chair through the Secretary of the Department of Premier and Cabinet. Its objectives are:

- To improve housing affordability for home buyers and ease rental stress, particularly for low to moderate income households;
- To halve the number of homeless people turned away from shelters within five years;

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<sup>29</sup> Australian Housing and Urban Research Institute (2005) "Housing Affordability and Commonwealth Rent Assistance", *AHURI Research and Policy Bulletin*, Issue 59, August

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- To ensure all levels of government work together to improve housing affordability and negotiate a new National Housing Affordability Agreement to replace the Commonwealth State Housing Agreement when it expires in June 2008, building on previous agreements and including housing for Indigenous people;
  - To improve housing supply, including through release of surplus Commonwealth, State and Territory land for housing development; and
  - To improve social and community housing.

COAG has agreed to implement the following five key initiatives:

1. *Housing Affordability Fund (HAF)* (\$500million over 5 years): the objective is to increase the supply of affordable housing by reducing the barriers to new developments via streamlined planning approval processes and direct investment in land release projects. For Tasmania, the fund could support the acceleration of the planning initiatives being pursued through the State's *Better Planning Outcomes* project and be invested directly into land subdivision infrastructure.

Tasmania is currently working with local government to identify potential projects that would be eligible under the scheme.

2. *National Rental Affordability Scheme (NRAS)*: the nation-wide objective is to create 50,000 affordable rental properties over the next three years, with a further 50,000 to be rolled out from 2012 depending on the achievement of the initial 50,000 homes program and if justified by the market. The properties will be leased to eligible households at a minimum of 20 per cent below market rental levels. The scheme offers property owners a tax credit (possibly in some cases a grant) of \$6,000 per annum over a ten year period to offset the lower rental yields. States and Territories would provide a minimum contribution of \$2,000 per annum over the same period.

Tasmania is currently investigating opportunities with developers and not-for-profit organisations to provide a number of properties under the scheme, commencing in 2008-09.

3. *A Place to Call Home*: the objective is to construct 600 new homes across the country for homeless persons and allow them to remain living in those homes as their support needs reduce. The homes will be transferred into public housing and the residents will become public housing tenants. A replacement home will then be allocated from the public housing portfolio to house the next available homeless household.

Tasmania is identifying opportunities under the scheme to supplement its current work to address homelessness.

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4. *Land Audit*: the objective is to identify land owned by the States and Commonwealth that can be used for affordable housing.

Tasmania has completed a high-level audit of Commonwealth land and will undertake an audit of State and local government land during 2008. It has written to local councils requesting them to identify potential sites within their control. An audit of privately held vacant land would also be desirable.

5. *National Housing Supply Council*: the objective is to monitor the availability of land supply and identify where more supply is required for future development.

## **Tasmanian Government affordable housing initiatives**

All elements of the housing system are interrelated and shaped by a combination of market forces and Government policy. This means that an integrated and cooperative approach is critical to addressing affordable housing issues.

Housing affordability is a complex issue. Governments need to be careful about developing policy responses that have the potential to exacerbate problems in housing affordability. Supply of housing is fairly inelastic, and measures that aim to 'ease the burden' are likely to drive up demand and do little to meaningfully address housing affordability.

Although the general trend of rising property prices, and therefore reduced housing affordability cannot be significantly influenced by State Government policy alone, the Tasmanian Government is able to provide targeted assistance. Housing affordability is an area of great concern to Tasmanians and it is an area in which the State Government has already made a considerable investment.

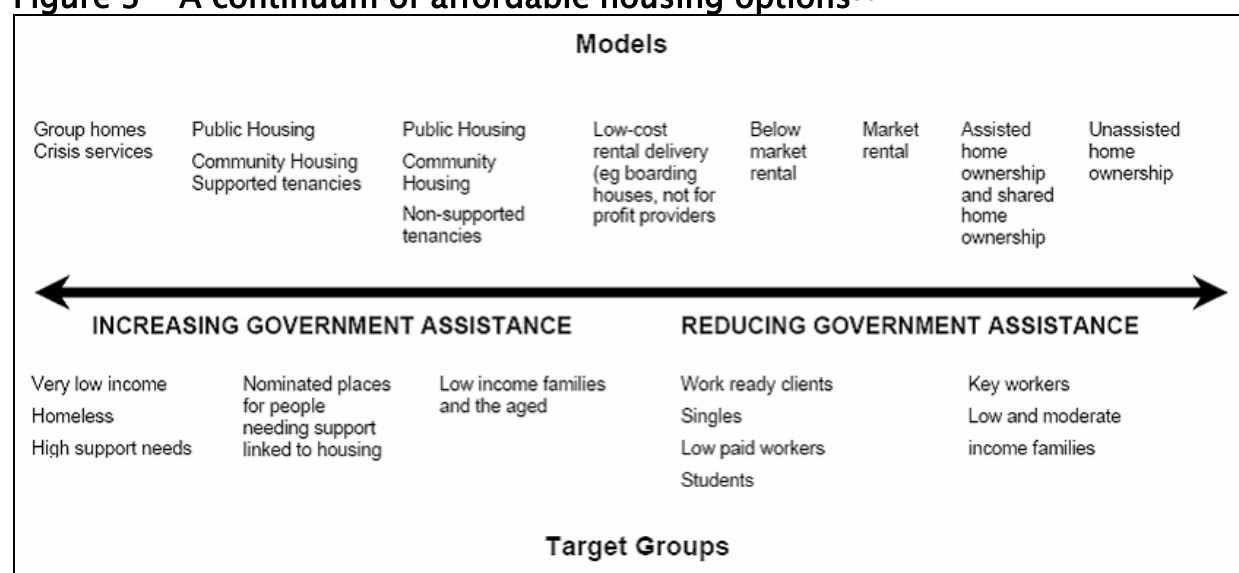
The Tasmanian Government has adopted a holistic 'housing system' approach to the development and provision of targeted services. The continuum below shows a spectrum of affordable housing interventions in relation to potential targeted beneficiaries. The Tasmanian Government delivers, either directly or indirectly, a broad range of products and services to meet client's needs across the affordably housing system.

The *Affordable Housing Strategy* was developed as a four-year 'whole-of-housing-system' approach to improve the range and supply of safe, adequate and affordable housing for Tasmanians on low incomes or those with special needs. The Strategy includes solutions across the range of housing tenures: social housing, private rental housing, and home ownership.

The Government has recently announced a number of other important initiatives. These include:

- An additional \$60 million to be invested into public housing to increase the public housing stock and reduce waiting lists;
- A commitment to establish a benchmark figure for homelessness in Tasmania and halve the number of people sleeping rough by 2010;
- The appointment of an internationally-renowned housing expert, to advise the Government on new ways to reduce homelessness and boost Tasmania's public housing stock; and
- The establishment within the Department of Premier and Cabinet, of a Social Inclusion Unit tasked with developing a whole-of-government social inclusion strategy with a strong initial focus on addressing homelessness.

**Figure 3 – A continuum of affordable housing options<sup>30</sup>**



## Affordable Housing Strategy

Total funding of \$95 million was made available to the Strategy. This included \$45 million in Special Capital Investment Funds (SCIF) and \$50 million in existing Housing Tasmania capital funds. \$15 million of the funding was allocated towards assistance programs, and \$80 million towards Housing Tasmania's capital program, including specialised disability accommodation.

To the end of June 2007, the Strategy assisted over 6,000 households to access affordable housing through:

<sup>30</sup> From V Milligan et al, *Approaches to evaluation of affordable housing initiatives in Australia*, Australian Housing and Urban Research Institute (AHURI), Sydney, 2007p 29

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- purchase or construction of 402 public housing properties;
  - upgrading of 428 public housing properties;
  - upgrading or replacement of six disability group homes;
  - commencement of three new supported residential facilities - Indigo Lodge (Prospect), the Welcome Inn (Kingston) and Burnie Lodge;
  - expansion of the Private Rental Support Scheme (PRSS) assisting an additional 3 500 households; and
  - establishing the Private Rental Tenancy Support Scheme (PRTSS) assisting an additional 1 500 households.

The Strategy has also involved:

- purchase of an additional supported residential facility; Pleasant Pines, Claremont;
- small grants to 28 community groups; and
- employment and training initiatives for 34 people in building and construction and related trades.

All capital program initiatives under the *Affordable Housing Strategy* are complete.

The *Affordable Housing Strategy* is continuing in 2007-08 with \$3 million provided towards assistance programs including:

- a fourth supported residential facility;
- an expanded PRSS;
- the PRTSS;
- a group training initiative; and
- the 'About Housing' website.

### **Tasmanian Affordable Housing Limited (TAHL)**

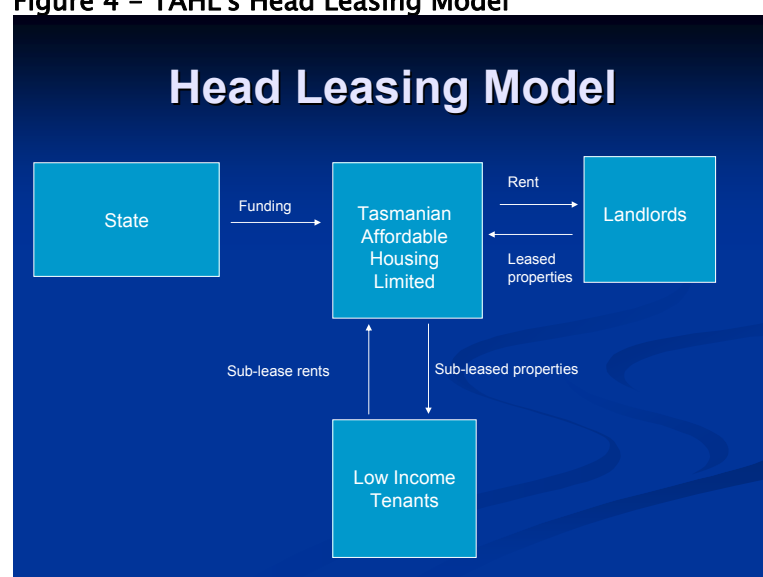
Another significant initiative under the *Affordable Housing Strategy* is the establishment of an affordable housing organisation - Tasmanian Affordable Housing Limited (TAHL). In recognition of the importance of providing all Tasmanians with access to good quality affordable housing, the Government joined with a group of leading not-for-profit sector organisations (Anglicare, Southern Cross Care, the Salvation Army, Centacare, OneCare and STEPS) to create a new affordable housing organisation. That organisation, TAHL is an unlisted public company and a not-for-profit sector body. It is therefore able to access taxation benefits such as exemptions from income tax, FBT and GST.

The State Government will provide TAHL with up to \$6 million per annum in funding to enable it to become established and to expand the supply of affordable housing by leasing newly constructed properties from private and not-for-profit sector developers. In turn, TAHL will sub-lease the accommodation to low-income households from the public housing

waiting list. The Government has also undertaken to make up to \$35 million in state-owned land available for the development of affordable housing.

The affordable housing head-leasing model that is being led by TAHL is summarised in Figure 4 below. The principal elements of the model include the manner in which it seeks to harness market forces and leverage other financial benefits such as the ability of private sector developers to claim tax deductions for expenses associated with building and owning the properties. The model also benefits from the tax exempt status of not for profit sector bodies and the capacity for TAHL's low income sub-tenants to receive CRA payments that would be otherwise unavailable if a tenant leased accommodation from Housing Tasmania.

**Figure 4 – TAHL's Head Leasing Model**



In conjunction with the establishment of TAHL, the State undertook to procure an initial portfolio of leases by way of the "Home Folio" tender and bilateral negotiations with Onecare Limited and STEPS. The result of the tender and the direct negotiations is that commitments have been received for the development of 245 new affordable homes, of which it is intended that 177 will be head-leased and managed by TAHL. Fifty homes will be developed and managed by Community Housing Limited and 18 homes being built and managed by Onecare Limited as part of its redevelopment of the "Barossa Park" site in Glenorchy with an extensive aged care complex.

### **Public housing**

The Tasmanian Government provides housing assistance for Tasmanians with low incomes or special needs through Housing Tasmania, a Business Unit within the Human Services Group of the Department of Health and Human Services (DHHS). Housing Tasmania operates within a policy framework that recognises the interrelationship between safe, secure



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and affordable housing and other health and wellbeing factors, and works to improve the capacity of individuals and communities to secure good housing outcomes for themselves. See appendix C for details on the rent setting methodology used in the provision of public housing in Tasmania.

Housing assistance is provided on the basis of income followed by individual or household needs and circumstances, rather than by population, group or age, with the exception of Aboriginal housing, which receives direct funding. There is, however, a dedicated program funded through the Commonwealth State Housing Agreement for Aboriginal Housing (see Appendix D for more on Aboriginal housing).

Public housing is rental accommodation owned and managed by state and territory governments, generally sourced from funds from both the Commonwealth and state and territory governments through the CSHA. Tasmania currently manages stock of around 11,500 properties.

At the end of July 2007 there were 2,606 applicants waiting for public housing compared to 2,889 in July 2006 – a decline of 283 applicants.<sup>31</sup> However, the public housing waiting list has declined by 22.9 per cent since reaching its peak of 3,382 in February 2005. This can be attributed largely to an increased range of affordable housing options provided through the *Affordable Housing Strategy*.

The public housing occupancy rate is at 98.8 per cent, reflecting the fact that tenants are remaining in public housing due to a tight housing market. Yet, in terms of housing people most in need, Housing Tasmania performs exceptionally well when compared to other states and territories.

Under the current CSHA, Tasmania's public housing system is under significant fiscal duress. Increased targeting of housing assistance, due both to fiscal constraints and previous Commonwealth policy, has led to longer waiting lists. Moreover, public housing clients are unable to access Commonwealth Rent Assistance. This amplifies the financial stress of families and individuals that are already under financial duress.

The Tasmanian strategies and services relating to public housing focus on helping to secure the viability of social housing (now and into the future), and wherever possible, increase the supply of social housing

The Tasmanian Government recently announced the allocation of an additional \$60 million for public housing and is consulting with stakeholders on how this is to be allocated.

## **Indigenous Housing**

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<sup>31</sup> The wait list comprises active, incomplete and suspended applications – see glossary.

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The current management arrangement for Aboriginal housing in Tasmania is shared between the Department of Families, Housing, Community and Indigenous Affairs (FaHCSIA) as the funding body, the Tasmanian Government through the Department of Health and Human Services (Housing Tasmania and Aboriginal Housing Services Tasmania) and three Indigenous Community Housing Organisations (ICHOs)<sup>32</sup>.

Housing Tasmania supports Indigenous Tasmanians through access to mainstream public housing or the Aboriginal Rental Housing Program.

The proposed introduction of the Australian Remote Indigenous Accommodation Program (ARIA) is likely to have significant impacts for both community and state managed indigenous housing. There has been no indication yet if the Aboriginal Rental Housing Program, currently a component of the CSHA, will continue to be funded.

See Appendix D for further information on indigenous housing in Tasmania.

## **Community housing**

Community housing is rental housing for low to moderate income or special needs households managed by not-for-profit community based organisations whose operations, in the main, have been at least partly subsidised by Government (for example, through funds provided under the CSHA). This is a small but growing sector of housing provision. Initiatives such as TAHL loosely fit under the banner of community housing.

Currently there is strong demand for community housing programs. This has been demonstrated with the 2006-2007 Tasmanian Government Community Housing Program (CHP) where a total of 28 organisations applied for funding of \$3 million.

## **Supported and crisis accommodation**

Crisis accommodation is provided through the Supported Accommodation Assistance Program (SAAP) V Multi-lateral Agreement 2005-2010. The aim and objectives of this program are to:

- deter a homelessness event where possible;
- provide an immediate support and accommodation for those who become homeless; and
- provide post-crisis support to re-establish independent living and prevent re-entry into the SAAP services system in the future.

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<sup>32</sup> The three Tasmanian ICHOs are Cape Barren Island Aboriginal Association Inc (CBIAAI), Flinders Island Aboriginal Association Inc (FIAAI) and the Indigenous Tasmanian Aboriginal Corporation (ITAC)

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Crisis accommodation is also managed by DHHS through the Crisis Accommodation Program (CAP), a tied capital program under the CSHA, which provides a response to homelessness in the form of:

- a 'bricks and mortar' approach to purchasing properties and the construction and upgrade of existing properties to be used as short to medium term responses as shelters and immediate crisis accommodation; and
- a brokerage service that is paid to eligible organisations to respond to crisis needs with short-term leases in private rooms, outreach support programs and flexible short-term assistance. It allows for a range of partnerships to meet sector needs.

See Appendix E for more detail about SAAP.

## **Additional programs offered by the Tasmanian Government**

The State Government provides a First Home Owner Duty Concession and First Home Owner Duty Rebate (vacant land) and the First Home Owners Grant for first home owners. It also provides targeted assistance through the Home Ownership Assistance Program (HOAP), including a new HOAP Shared Equity Scheme and Streets Ahead to assist low to moderate-income earners to enter the housing market.

The Government is investigating further opportunities to build on some of these initiatives.

### **First Home Owners Grant**

As part of the Inter-Governmental Agreement on the Reform of Commonwealth-State Financial Relations (IGA), the States and Territories agreed to establish, fund and administer a first home owners' grant scheme (FHOG), which was designed to offset the impact of the introduction of the GST. The FHOG scheme commenced on 1 July 2000. First home purchasers who meet the eligibility criteria are entitled to a \$7 000 grant.

In addition to this ongoing State scheme, the Commonwealth Government had a temporary additional \$7 000 grant for first homeowners which, from 1 January 2002 until 30 June 2002 inclusive, which was then reduced to \$3 000.

Whilst the additional grant scheme has now ceased (additional quantum of payment for builders of new homes), payments may be required to be made for several years in relation to previously approved grants.

The First Home Owner Duty Concession has been provided since 2004-05, at a cost of \$25.6 million. First Home Owner Duty Rebates (vacant

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land) have been provided over the same period, representing a concession of \$0.2 million. Following a review of the First Home Owner Duty Concession for first home buyers, introduced in the 2004-05 Budget, the Tasmanian Government introduced concessional duty relief to first home buyers on an indefinite basis in the 2005-06 Budget. Relief for duty payable on property conveyances is available up to a maximum of \$4,000 for home buyers who qualify for the FHOG Scheme and are purchasing a property up to the value of \$350,000. This assistance is in addition to the \$7,000 grant made available by the State Government under the FHOG Scheme.

The intention of this assistance is to provide a benefit to first home buyers who have been prevented from entering the Tasmanian real estate market because of significant growth in house and land prices in recent years.

### **Tax relief**

In addition to the first home-owner assistance already in place, the Tasmanian Government also reduced mortgage duty by half from July 2006, with its complete abolition from 1 July 2007.

Land tax relief was also provided from 1 July 2002. The value at which land tax becomes payable was increased from \$1,000 to \$15,000, and the number of steps in the land tax scale was reduced.

In addition, the Tasmanian Government provides a land tax exemption for pension card holders.

## **Land use planning, infrastructure and land availability**

### **Infrastructure and planning**

The marked shift to affordable housing in urban fringe areas has created some inequality of regional settlement patterns with increasing gaps between locations based on a range of social indicators.

The historical settlement pattern and the topographic conditions of Tasmania encourages ribbon development along roads and the coast, resulting in inefficient and costly provision of infrastructure for both Local Government and State Government. Costs of emergency services and protecting against hazards will rise with increased incidence and scale of bushfires, floods, wind and coastal erosion and inundation.

The development of the arterial road system has made outer areas more accessible for housing development. Lower house prices in such areas are traded-off against transport costs to employment and urban service. The relocation of low-income residents to peripheral locations where housing is more affordable has had several effects. These include longer distances to employment, schools and urban amenities, reduced

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participation rates and increasing transport time and cost. This often occurs at the expense of more local activity, health and wellbeing. There is also some degree of family dislocation as young nuclear families or single parent families move away from extended family support.

Transport factors may become more significant over the medium term as the historical trend of falling private car transport costs is reversed with increasing fuel costs in the future.

The Tasmanian Government is working with other states and territories, through the Local Government and Planning Ministers Council, to develop a range of planning mechanisms to facilitate affordable housing through the planning system. Other national initiatives are aimed at reducing costs through the reform of planning and assessment processes. Many of these are being pursued in Tasmania under the Better Planning Outcomes Project. A regional planning initiative is underway to develop new and consistent planning schemes across the three regions of the State. In conjunction with related infrastructure planning this should, over time, help reduce the current inequality in housing settlement patterns.

The Tasmanian Government is also working through COAG to progress the Housing Affordability Fund initiative and it is anticipated that as projects are identified for roll-out under this scheme, development costs may be reduced.

The planning response to housing affordability has been to seek more compact and efficient forms of subdivision and development of residential development standards that do not discriminate against unit development.

Work has commenced on translating the Tasmanian Code for Residential Development 1997 (Tascord) into the format required by the Planning Scheme Template (Planning Directive No.1 Format and Structure of Planning Schemes 2003). A number of standard schedules are also being drafted for inclusion in the Template. These standard provisions will standardise planning controls across the State, addressing developers' concerns about different requirements in each council area. The provisions will also address neighbours' concerns about negative impacts of increased densities and a mix of smaller lots. Through increased density, better design principles will ensure that urban sprawl would be reduced and development costs kept to a minimum.

## **Land Supply**

Significant attention has been given nationally to the need for states and territories to release more land to address a perceived supply problem. A number of commentators, particularly from the planning profession, have questioned the efficacy of such an approach.

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Supply of land has historically exceeded demand in Tasmania, yet affordability has declined as in other states. A study in 1996 calculated that there was 35 years supply of urban residential land and 25 years supply of rural residential land in the Greater Hobart area. While there has been an increased rate of development in recent years, there is no evidence of a shortage of land.

A State Government Working Group has been formed to identify Crown land sites suitable for affordable housing development, in part to support the work of the TAHL in affordable housing development.

As previously mentioned the State Government is in the process of auditing vacant land in Tasmania.

The Planning Institute of Australia (PIA) has recently released a national policy position statement on affordable housing that includes further evidence that land supply alone is not the panacea and that people are looking for 'lifestyle packages', which factor in the location of land for development relative to employment, social support and a range of other criteria.

The Tasmanian Government, unlike other states and territories, does not have direct control over the release of land. This is the role of local councils through the development and implementation of planning schemes. However, it is in the process of developing a State Policy on Housing to promote affordable housing as part of new developments and cut existing planning impediments for social housing.

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## Appendices

### Appendix A – Homelessness

'Homelessness' is a term with a number of commonly used definitions. The *Supported Accommodation Assistance Act 1994* (Commonwealth) provides that a person is homeless when they have "...inadequate access to safe and secure housing":

"For the purposes of this Act, a person is taken to have inadequate access to safe and secure housing if the only housing to which the person has access:

- a. damages, or is likely to damage, the person's health; or
- b. threatens the person's safety; or
- c. marginalises the person through failing to provide access to:
  - i. adequate personal amenities; or
  - ii. the economic and social supports that a home normally affords; or
- d. places the person in circumstances which threaten or adversely affect the adequacy, safety, security and affordability of that housing".<sup>33</sup>

The Tasmanian Government's provision of Supported Accommodation Assistance Program (SAAP) services operates within this definition which emphasises access to safe and secure housing and considers those who are 'homeless' and those who are 'at risk' of homelessness.

It is estimated that around one in every 191 people in Tasmania are homeless. While not the highest rate, Tasmania compares poorly to the Australia Capital Territory, New South Wales, Victoria and South Australia (where the figures are one in every 253, 236, 229 and 194 respectively).

### Definitional issues

The Australian Bureau of Statistics (ABS) uses a cultural definition of homelessness developed by Chamberlain & MacKenzie (1992). Three broad groups who fall below the community standard:

Primary homelessness— People without conventional accommodation, such as people living on the streets, sleeping in parks, squatting in derelict buildings, or using cars for temporary shelter.

Secondary homelessness— People who move frequently from one form of temporary shelter to another. It covers: people using emergency accommodation (such as hostels for the homeless or night

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<sup>33</sup> *Supported Accommodation Assistance Act 1994 (Cth)*, Section 4.

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shelters); teenagers staying in youth refuges; women and children escaping domestic violence (staying in women's refuges); people residing temporarily with other families (because they have no accommodation of their own); and those using boarding houses on an occasional or intermittent basis.

Tertiary homelessness— People who live in boarding houses on a medium to long-term basis. This accommodation is not self-contained and residents do not have a separate bedroom and living room. They do not have kitchen or bathroom facilities of their own. They do not have security of tenure provided by a lease.

The Tasmanian Government has some concerns with this broader definition of homelessness, particularly with the inclusion of medium to long-term boarding house residents among those experiencing tertiary homelessness. This broad cultural definition of homelessness captures a number of people housed in supported accommodation, including those where this represents a chosen, sustainable housing option that provides security of tenure. Concern is held that the cultural definition has a subjective sense of what counts as a home, which applies a single minimum community standard for all sections of the Australian community regardless of individual preferences.

The continued use of this definition impacts directly on proposed solutions to homelessness. For example under the Tasmanian *Affordable Housing Strategy (AHS)* over 130 additional beds have been provided in supported accommodation over the past two years. Under the broad cultural definition those housed in these facilities will continue to be considered 'homeless'.

Nationally, Tasmania encourages further debate on future definitions of homelessness.

The Supported Accommodation Assistance Program (SAAP) is the primary response to homelessness. SAAP services provide transitional supported accommodation and related support services to resolve crisis, re-establish family links where appropriate and aim to restore the capacity for people who are homeless or at imminent risk of homelessness to achieve the maximum possible degree of self-reliance and independence.

SAAP agencies provide a range of services to homeless people and those at risk of homelessness in the context of an Integrated Continuum of Support, that acknowledges that homelessness is not caused merely by lack of shelter, but involves a variety of underlying needs, including physical, economic and social needs, that must be met to reduce the risk of further episodes of homelessness and establishment of a homeless career. Specific services provided include:



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- case planning and support;
  - immediate emergency accommodation;
  - supervised supported accommodation for young people;
  - transitional support; and
  - adolescent community placements.

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## Appendix B – Commonwealth State Housing Agreement – Issues

While it is widely acknowledged that there is a housing affordability crisis in Australia there has been a lack of strategic direction from the Commonwealth Government.

An independent evaluation of the current Commonwealth State Housing Agreement (CSHA)<sup>34</sup> found that:

"...the current Agreement does not yet provide a strategic direction for housing assistance or multilateral accountability against clearly defined results."

"In negotiating any future housing assistance partnership agreements, it is timely to fundamentally rethink the role of government in providing housing assistance and the areas where a multilateral approach will deliver a sustainable return on investment from a the CSHA-related assets and value for money from direct subsidies".

The reality is:

- There has been a decline in expenditure on the CSHA in real terms.
- There has been an increase in the expenditure on Commonwealth Rent Assistance (CRA) in real terms.
- As a result the amount of Commonwealth Government expenditure on housing assistance has remained at about the same level, but more is directed towards assisting individuals in the private rental market.
- Over the past two CSHAs targeting public housing assistance to those in the greatest need has increased dramatically. Tasmania has complied with this policy direction. In the Report on Government Services as at the 30 June 2006, 93.5 per cent of all new allocations across jurisdictions were to people in the greatest need category. That category is defined by people who have low incomes and at the time of housing were either homeless, in housing inappropriate to their needs, in housing that is adversely affecting their health or placing their life and safety at risk, or have very high rental housing costs.
- The changing profile of public housing tenants as a result of the CSHA targeting has had a profound impact on the costs of the provision of services and resulted in a loss of rental revenue. Service costs have increased in relation to tenancy support services, provision of building modifications and the requirement that housing be smaller, closer to services and public transport.

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<sup>34</sup> ARTD Consultants (2006) *Evaluation of the 2003-2008 Commonwealth-State Housing Agreement, Final Report*, ARTD Consultants, December

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- The CSHA also includes requirements that State Housing Authorities (SHAs) reconfigure stock to be more aligned to client need. All States and Territories are dealing with ageing stock portfolios which need to comply with new building and safety requirements.
  - Reconfiguring and refurbishing stock is extremely expensive due to the national housing boom and the escalation of costs in the building market. The CSHA capital funds are not adequate to fund reconfiguration and refurbishment and acquire additional public housing stock.
  - Most State (and Territory) Housing Authorities (SHAs) have used sales programs to provide additional funding to improve the quality of public housing stock. Older houses, which are typically in broad acre estates, have been sold, usually to existing public housing tenants or people eligible for public housing.
  - Against this backdrop most States and Territories, with the exception of Victoria, have an historic debt to the Commonwealth Government. In pre 1989 CSHAs, the Commonwealth Government issued loans to SHAs to build public housing. This arrangement was changed in the 1989 CSHA as States and Territories became concerned at the size of the debt. Subsequent CSHAs provide for capital grants to build public housing stock.
  - In Tasmania, the debt is \$247 million and will not be fully repaid until 2042 given current principal (\$5.7 million) and interest payments (\$10.9 million).
  - The Commonwealth Government contributes \$25 million in base funding to Tasmania. The State pays \$16.7 million in principal and interest to service the CSHA debt.
  - In response to the declining value of the CSHA, all SHAs have provided additional monies in the affordable housing area. The yet to be released, Independent Audit of Government Contributions to Housing Assistance found that States and Territories have provided funding well beyond their matching requirements of the CSHA.
  - In Tasmania an additional \$45 million was allocated in December 2003 to the Affordable Housing Strategy 2004-2008. In addition, in 2005 the Tasmanian Government provided \$24 million over four years for the development of an Affordable Housing Organisation for the provision of up to 700 new affordable private rental opportunities.

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## **Appendix C – Public housing rent setting methodology**

The public housing rent setting method comprises two parts: the market rent (which is the price that properties would achieve in the private market) and the tenant contribution (the amount that tenants pay, which is based on income).

The tenant contribution is a variable percentage of income between 21.5 and over 40 per cent. Apart from a minor change to the income figures in 1996, the rent setting method has not changed since it was introduced in 1988.

### **Market Rent**

Market rents are only one component of the rent setting method for public housing. Market rents are based on the property price, and are the maximum rent charged for public housing properties. However, the majority of tenants pay a tenant contribution based on their income.

The buoyant housing market in 2003-04 caused a large gap between market rents in the private market and those for public housing. After a year of careful planning, Housing Tasmania started to update public housing market rents in October 2006.

The market rent update is being introduced in four stages over 18 months to give tenants time to plan for increases. The second stage of the market rent update was completed in May this year.

Because most households are eligible for State Government rental rebates, under a quarter of households experienced a rent increase under the second stage. The average tenant contribution rose by about \$2.60 bringing the average rent to \$83 per week at the second stage.

It is important to note that, even following the market rent update, rents will always remain affordable for people living in Housing Tasmania homes because rents are income based. Housing Tasmania will continue to update market rents regularly in line with the Auditor General's recommendation.

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## **Appendix D – Indigenous housing**

The current management arrangement for Aboriginal housing in Tasmania is shared between the Department of Families, Housing, Community and Indigenous Affairs (FaHCSIA) as the funding body, the Tasmanian Government through the Department of Health and Human Services (Housing Tasmania and AHST) and three Indigenous Community Housing Organisations (ICHOs)<sup>35</sup>.

The direct involvement of the Aboriginal community in the provision of housing services to Aboriginal people is integral to the ongoing success of these services. This is also consistent with the Tasmanian Government's policy of Aboriginal self-determination.

Both the AHST and the ICHOs have an emphasis on self-management. All three ICHOs have elected Governing Committees, which have responsibility for planning and resource allocation within their respective organisations. The AHST has Aboriginal Tenancy Allocation panels (ATAPs), which are elected by the Aboriginal community. These provide advice and direction to policy development, planning, and property purchase and sales.

The Commonwealth Government's reform agenda for Aboriginal and Torres Strait Islander housing has caused significant uncertainty. As a consequence, two of the three ICHOs in Tasmania were required to stand staff down and limit their service delivery. More recently, the Department of Families, Housing, Community and Indigenous Affairs (FaHCSIA) have advised those ICHOs they whilst they will receive funding for the first half of the 2007-2008 financial year, uncertainty remains beyond that point. The third ICHO has received no funding at all.

The proposed introduction of the Australian Remote Indigenous Accommodation Program (ARIA) is likely to have significant impacts for both community and state managed indigenous housing.

There has been no indication yet if the Aboriginal Rental Housing Program, currently a component of the CSHA, will continue to be funded.

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<sup>35</sup> The three Tasmanian ICHOs are Cape Barren Island Aboriginal Association Inc (CBIAAI), Flinders Island Aboriginal Association Inc (FIAAI) and the Indigenous Tasmanian Aboriginal Corporation (ITAC)

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## **Appendix E – Supported Accommodation Assistance Program**

The SAAP is Australia's primary policy and service response to homelessness. Through this program Governments fund crisis accommodation and related support services.

All States, Territories and the Commonwealth Government entered into a five year multilateral Agreement for SAAP V in 2005. Under this agreement a commitment has been given to make available \$1.82 billion over the life of the Agreement. Almost \$14 billion is spent each year in Tasmania through SAAP to:

- resolve crisis;
- re-establish family links where appropriate; and
- restore the capacity for people who are homeless or at imminent risk of homelessness, to achieve the maximum possible degree of self-reliance and independence.

States contribute matched funding to the SAAP program.

In addition to SAAP funds, the Crisis Accommodation Program (CAP), grants financial assistance through the Commonwealth State Housing Agreement (CSHA) of around \$1 billion per annum to assist with the provision of services to the homeless and those at risk of homelessness. In recent years, the program intent has been interpreted in broader terms to support a range of homelessness assistance services and initiatives such as a mix of capital units and short term leases, a range of partnerships with outreach support services and other types of flexible short term accommodation assistance.

This flexibility has been provided to help people maintain their accommodation (including assistance with utility bills and rental arrears) or to purchase accommodation in the private market ("pub-top" accommodation, hotels or motels). \$400 million per annum of CAP funds are now set aside for the brokering of accommodation and associated

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expenses, playing a crucial role in facilitating clients move into independent living. These funds are integral to the Tasmanian SAAP service system's ability to respond appropriately to circumstances.

Currently the length of stay within both emergency accommodation and transitional supported accommodation is often longer than intended within the context of the SAAP program logic. In addition, despite the early success of the use of using brokerage funds to purchase emergency accommodation in the private market, peak tourism periods can make employing these flexible options difficult.

During SAAP IV (2000-2005) Tasmania completed a restructure of the entire SAAP homelessness service system within the State. The new service system has a number of important features:

- an integrated service system within each of the three regions of the state;
- a clearly defined set of service types detailing service specifications and functions;
- an equitable funding rationale based on input unit-costs; and
- proportional regional funding based on regional populations.

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The integration of services within each region has been crucial in providing increased flexibility and better services to clients. Rather than each service trying to provide the full range of services itself, the modular nature of the service system requires services to work collaboratively in providing joint support for clients. Different services focus on different aspects of the client's needs.



## Glossary

| <b>Term</b>        | <b>Definition</b>  |
|--------------------|--|
| affordable housing | Any housing that costs less than 30 per cent of household income for the bottom 40 per cent of household income earners - see also housing stress.   |
| ABS                | Australian Bureau of Statistics  |
| ACHCEP             | Aboriginal Community Housing Capability Enhancement Program – a Tasmanian Government initiative funded by the Healthy Indigenous Housing Initiative – see also HIHI  |
| AHO                | Affordable Housing Organisation - before the Tasmanian Affordable Housing Limited was formed this more generic term was used. See also TAHL  |
| AHS                | Affordable Housing Strategy – the Tasmanian Government's broad housing strategy for the period 2003-2007   |
| AHST               | Aboriginal Housing Services Tasmania – a division of Housing Tasmania providing housing services specifically for Indigenous Tasmanians  |
| AHURI              | Australian Housing and Urban Research Institute  |
| AIHW               | Australian Institute of Health and Welfare   |
| ARHP               | Aboriginal Rental Housing Program – a sub-program of the Commonwealth State Housing Agreement through which Commonwealth Government funding is provided to the States and Territories for Indigenous housing |
| ARIA               | Australian Remote Indigenous Accommodation policy – a new policy for remote Indigenous housing proposed by the Commonwealth Government   |
| ATAP               | Aboriginal Tenancy Allocation Panel – see also AHST  |
| AYDC               | Ashley Youth Detention Centre  |
| CAP                | Crisis Accommodation Program – a Tasmanian Government funding program for emergency and transitional housing   |
| community housing  | Social housing managed (and sometime owned) by a not for profit community based organisation – see also social housing   |
| CHIP               | Community Housing and Infrastructure Program – Commonwealth Government funding program for Indigenous housing  |
| CHP                | Community Housing Program – a Tasmanian Government funding program for community housing   |
| COAG               | Council of Commonwealth Governments  |

| <b>Term</b>      | <b>Definition</b>   |
|------------------|---|
| CRA              | Commonwealth Rent Assistance – a subsidy to eligible private renters; an Commonwealth Government initiative   |
| CSHA             | Commonwealth State Housing Agreement – a funding Agreement between the Commonwealth Government and the State and Territory Governments  |
| DHHS             | Department of Health and Human Services – Tasmanian Government  |
| FaHCSIA          | Department of Families, Housing, Community Services and Indigenous Affairs – Commonwealth Government  |
| FHOG             | First Home Owners Grant – an Commonwealth Government initiative   |
| fixed term lease | A lease where the landlord and tenant agree on a fixed period of tenure. New Housing Tasmania tenants are typically on a 3 month fixed lease, with most then transferring to a lease of no fixed term. See also lease of no fixed term.   |
| HAS              | Housing Assessment System – used by Housing Tasmania to determine housing priority  |
| HIHI             | Healthy Indigenous Housing Initiative – an Commonwealth Government initiative which is funding the Aboriginal Community Housing Capability Enhancement Program – see also ACHCEP  |
| HMAC             | Housing Ministers Advisory Committee - comprising representatives from all State and Territory Housing Authorities and the Commonwealth Government's department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA)   |
| HMC              | Housing Ministers' Conference – comprising representatives from all State and Territory Governments and the Commonwealth Government   |
| HOAP             | Home Ownership Assistance Program - a Tasmanian Government initiative   |
| homelessness     | See Appendix A  |
| housing crisis   | Households are said to be experiencing housing stress if they are in the bottom 40 per cent of income earners and they spend more than 50 per cent of this income on housing costs. See also affordable housing and housing crisis. See also affordable housing and housing stress. |

| <b>Term</b>                 | <b>Definition</b>   |
|-----------------------------|---|
| housing stress              | Households are said to be experiencing housing stress if they are in the bottom 40 per cent of income earners and they spend more than 30 per cent of this income on housing costs. See also affordable housing and housing crisis.   |
| ICHO                        | Indigenous Community Housing Organisation – an organisation that provides community housing specifically for Indigenous tenants – see also community housing.   |
| IHIA                        | Indigenous Housing and Infrastructure Agreement – an Agreement between the Commonwealth Government and the State and Territory Governments relating to provision of housing and related infrastructure  |
| lease of no fixed term      | A lease where tenure has no fixed term limit - also known as lifelong tenure. This is a common tenure type for public housing, currently applying to Housing Tasmania tenants after an initial fixed-term lease. See also fixed term lease.   |
| Market rent                 | The rent that would apply for a property on the open market.  |
| NAAH                        | National Action on Affordable Housing   |
| non-shelter outcomes        | The broader social and economic effects of housing assistance, which may include physical and mental health status, education status, labour market outcomes, crime, community participation and social cohesion, income/wealth distribution and poverty outcomes and locational advantage. |
| private rental housing      | Housing rented from a real estate agent or a private investor; rent paid is typically market rent. See also market rent   |
| NFP                         | Not-for-profit  |
| not-for-profit organisation | A non-government organisation which does not distribute profits.  |
| QIC                         | Quality Improvement Council   |
| PRSS                        | Private Rental Support Scheme – a Tasmanian Government initiative   |
| PRSS                        | Private Rental Tenancy Support Scheme - a Tasmanian Government initiative   |
| PRWG                        | PRWG – Policy Research Working Group, a sub-group of the Housing Ministers Advisory Committee   |
| public rental housing       | Social housing owned and operated by public agencies; in Australia this is typically State and Territory Government housing authorities – see also social housing   |
| REIT                        | Real Estate Institute of Tasmania   |

| <b>Term</b>         | <b>Definition</b>  |
|---------------------|--|
| RTA                 | Residential Tenancy Act (1997) – the legislation presiding over lease arrangements in Tasmania   |
| SAAP                | Supported Accommodation Assistance Program – an Australia-wide support program that assists people who are homeless or at risk of homelessness. Services include assessment and support, short to medium-term accommodation, and assistance with the transitional to independent living. |
| SAAP NDC            | Supported Accommodation Assistance Program National Data Collection  |
| SCIF                | Special Capital Investment Funds   |
| SHA                 | State (and Territory) Housing Authority – the agency within a State or Territory Government responsible for housing  |
| shared equity       | Tenure forms where the resident and another (public, community or private) investor jointly own the property - may also be referred to as shared ownership.  |
| social housing      | Subsidised housing, usually rental, provided for designated households by government or not-for-profit organisations. See also community housing and public rental housing.  |
| SPP                 | Special Purpose Payment – grant provided to the Tasmanian Government by the Commonwealth Government for a specified purpose – see CSHA   |
| SRF                 | Supported Residential Facility – residential accommodation including support services  |
| TAHL                | Tasmanian Affordable Housing Limited – a not-for-profit company which will lease affordable homes to Tasmanians who are eligible for public housing - see also AHO.  |
| tenant contribution | The rent paid by a social housing tenant – this will typically be less than the market rent, with the difference being the subsidy provided by the housing provider.   |
|                     |  |