

SELECT COMMITTEE ON HOUSING AFFORDABILITY IN AUSTRALIA SOUTH AUSTRALIAN GOVERNMENT SUBMISSION

1. INTRODUCTION

Despite changing patterns, home ownership remains a goal to which many Australians aspire. The value of home ownership is more than just having a place that is safe, stable and comfortable it's also about providing a platform for greater connection to family, friends, services and opportunities such as training, learning and employment. It is well established that home ownership is a particularly powerful way for households to save for the future and generate wealth (particularly through capital gain).

However for some Australians, particularly low to middle income households, it is becoming increasingly difficult to purchase a home of their own. While the South Australian housing market is comparatively more affordable than other Australian states affordability has been declining over the past few years and this is a major concern for the South Australian Government. Changes in the housing market over the past few years have made it difficult for lower income households to access home ownership for instance just 60 percent of households looking to buy a house can afford less than 15 percent of the houses for sale.

The South Australian Government notes the establishment of a Select Committee on Housing Affordability and its brief to inquire into the barriers faced by Australians seeking to purchase their own home. We believe that in many respects South Australia is now leading the way in supporting affordable housing opportunities and we provide a number of examples of our work in this submission to the Senate Select Committee.

2. ADDRESSING THE HOUSING AFFORDABILITY CHALLENGE

Housing affordability is a key challenge to which previous national housing policy has provided minimal direction. Historically there has been limited engagement with States and Territories on housing strategy with federal and state initiatives kept separate and unconnected. The Commonwealth State Housing Agreement, the major instrument for housing government funding in Australia, is predominantly focused on the very important issue of social housing but provides limited opportunities to address housing outcomes outside of this tenure. In the past there have also been few opportunities to bring together national policy on regional and urban planning to oversee the type and level of growth of housing across the nation.

The Government of South Australia believes a coordinated approach between the Australian Government and States and Territories is required to address the challenges faced by many low to moderate income households who experience difficulty in purchasing their own home due to:

- *Wealth constraints* – inadequate savings to make a deposit and cover various fees and charges during the purchasing process
- *Income constraints* – inadequate income to support mortgage repayments at an affordable level

- *Credit problems* – poor credit history which reflects poorly when applying for a mortgage
- *Limited supply* – limited housing options that are truly affordable for low to moderate income Australians.

With this in mind, in 2007, State and Territory Housing Ministers adopted a Six Point Plan recognising the structural drivers placing pressure on housing affordability and the need to harness a broader set of levers to increase affordable housing opportunities in Australia. Through this Plan, State and Territory Ministers have actively sought stronger links between National, State and Territory responses to improve housing outcomes across all tenures including home ownership. Areas within this plan we believe would benefit from a coordinated and national approach to facilitate affordable home ownership include:

- Exploring the capacity to redeploy First Home Owners Grant subsidies to supply based initiatives offsetting the inflationary impacts of demand side assistance
- Creating investment mechanisms that target shared equity and other subsidized home financing lending products
- Considering the use of resale restricted covenants on land titles, which internationally has proven to be a viable model for fostering supply based investment in affordable home purchase
- Engaging a broader range of sectors in the provision of affordable housing opportunities.

The South Australian Government welcomes the direction of housing policy and initiatives announced by the new Australian Government in relation to addressing housing affordability. We believe many of these initiatives contribute towards meeting the objectives contained within the Housing Ministers Six Point Plan. We look forward to a collaborative approach working with the federal government to roll out initiatives such as the National Rental Affordability Scheme, the Housing Affordability Fund and First Home Saver Account as well as negotiating a new funding agreement to replace the existing Commonwealth State Housing Agreement.

In South Australia we believe in many respects we are leading the way and in the following sections of our submission outline some of the many ways we have been addressing the challenge of housing affordability for South Australians.

3. SOUTH AUSTRALIAN BEST PRACTICE

Buying a home is a goal to which many Australians aspire and the Government of South Australia is ensuring there are options available to help South Australians turn these dreams into reality. Our approach to addressing housing affordability has been focused around thinking strategically, leveraging planning mechanisms, building partnerships with others and delivering innovative products and services.

3.1 THINKING STRATEGICALLY

3.1.1 South Australian Strategic Plan

The South Australian Government believes housing affordability is a critical issue which requires the attention of all levels of Government and the community at large. To reflect its importance, in the Government's State Plan released in March 2004 and subsequently updated in January 2007, several targets have been included to focus attention and drive action on housing affordability. Of particular interest to the Select Committee's Inquiry are targets set to address:

- Affordable housing - increase affordable home purchase and rental opportunities by 5 percentage points by 2014. This target aims to have 38.8 percent of dwelling sales in South Australia as being affordable for low to moderate income households by 2014
- Housing stress - halve the number of South Australians experiencing housing stress by 2014. This target aims to half those in housing stress (both renters and home owners) from a baseline in 2001 of 51,596 to 25,798 in 2014.

South Australian Strategic Plan targets are critical components of all State Government Department strategic plans and relevant targets are also included within the performance agreements of senior public servants to drive delivery and achievement of these aims.

Further information on these and other targets contained in this plan can be found by visiting <http://www.stateplan.sa.gov.au/>.

3.1.2 Housing Plan for South Australia

The Housing Plan for South Australia, launched in March 2005, clearly articulates the South Australian Government's strategic priorities for housing particularly with respect to affordable and high need housing (and has a clear link to the targets within the South Australian Strategic Plan). Many of the tasks outlined in the Housing Plan have now been achieved and a number of those related to improving affordability for instance setting a target of 15 percent of housing in all new significant developments for affordable and high need housing as well as the EquityStart initiative are discussed in more detail in this submission. Further information on the State Housing Plan can be found by visiting <http://www.dfc.sa.gov.au/HousingPlan/>.

3.2 LEVERAGING PLANNING MECHANISMS

3.2.1 Legislative Change

The Housing Plan for South Australia, as outlined above, set a clear target of 15 percent of housing in all new significant developments to be affordable (including 5 percent for high need accommodation). To assist in facilitating this direction legislative changes were passed to the Development Act in early 2007 to streamline development assessment processes and link planning strategy targets (including affordable housing) to local government strategies and development plans. Meanwhile the Statutes Amendment (Affordable Housing) Act enacted in July 2007 makes explicit references to affordable housing within the Development Act and provides enabling powers for Local Government to include affordable housing policies within Development Plans.

3.2.2 Better Development Plans

The State Government's Better Development Plans (BDP) project represents the first complete review of South Australian Development Plans since 1983.

The Better Development Plans approach is designed to help ensure Development Plans align with the State Planning Strategy and are generally consistent in policy content across the state, but can readily cater for significant local circumstances. A Better Development Plans Policy Library has been established which contains a set of development plan policies to deal with a range of issues including affordable housing policy. For further information on the Better Development Plans Project and Library visit <http://www.planning.sa.gov.au/go/bdp>.

3.2.3 Working with Local Councils

The South Australian Government is working closely with local councils to achieve affordable housing outcomes and released a draft local government resource kit and key dataset websites to provide councils with a valuable resource to support legislative changes.

3.3 BUILDING PARTNERSHIPS WITH OTHERS

3.3.1 SA Affordable Housing Trust Board of Management

The South Australian Affordable Housing Trust (SAAHT) Board of management was established in November 2006 to provide market based expertise to promote the provision of affordable housing in South Australia. The SAAHT Board is comprised of seven Board members who possess experience and knowledge directly relevant to housing, local government or urban and regional planning. The key roles of this Board, a sub-committee of the South Australian Housing Trust, include:

- Managing the Affordable Housing Innovations Fund
- Facilitating co-operation between and promoting the provision of affordable housing across the public, private and not-for-profit sectors
- Promoting planning systems that support sustainable and affordable housing outcomes within the community
- Providing advice to Government on issues associated with affordable housing or other matters, initiatives or programs associated with achieving an improvement in the housing situation of South Australians, especially taking into account the social justice objectives of the Government, contemporary housing standards and community expectations.

3.3.2 Affordable Housing Innovations Fund

In 2005, the South Australian Government established an Affordable Housing Innovations Fund to encourage others to work with us to create affordable housing opportunities. This fund was established with an initial state government grant as part of the State Housing Plan. In addition, proceeds from the sale of social housing to tenants via the HomeStart EquityStart initiative, are placed into this fund. These funds are reinvested in affordable housing initiatives, in the form of conditional grants. Private, not-for-profit and local government organisations can apply to the fund to assist in meeting the cost of affordable housing projects. The funding may be used to purchase existing properties, buy land or to develop new housing outcomes. As at December 2007, approximately \$38 M has been committed from the fund with a \$42 M commitment from partner agencies resulting in the delivery of almost 370 housing outcomes over the coming years.

3.3.3 Housing Summit 2007

In August 2007, a range of South Australian Housing Industry Leaders gathered for a high level affordable housing summit to develop strategies and

projects for delivering more affordable rental and privately owned homes. The summit was led by members of the South Australian Affordable Housing Trust Board. Over 100 people from the housing industry attended to discuss affordable housing solutions.

3.4 DELIVERING INNOVATIVE PRODUCTS AND SERVICES

3.4.1 HomeStart

South Australia is one of only two states with a home finance agency - HomeStart Finance who have assisted over 50,000 lower income home buyers to purchase a home. HomeStart provides innovative home finance initiatives for low to moderate income earners and other needs groups in South Australia through its distinctive HomeStart loan and other specially designed loan products.

As part of its product suite, HomeStart provides a subsidised Advantage Loan that offers up to \$28,000 to borrowers earning less than \$39,000 per annum (in addition to a standard HomeStart loan) to increase borrowing capacity for low income applicants. The Advantage Loan attracts interest at a rate based on CPI which is rebated if the loan is repaid within the first five years.

Other innovative products created by HomeStart to address the issue of housing affordability include the Graduate Loan, Low Deposit Loan, Nunga Loan, Seniors Equity Loan, EquityStart Loan, Breakthrough Loan and the Family Assist Loan. Further information on these products can be found at www.homestart.com.au.

In September 2007, HomeStart also launched the www.startdreams.com.au website to assist people to work towards achieving their financial goals and enter into home ownership. This interactive eLearning tool is assisting people to develop the skills necessary to work out budgets and savings plans.

3.4.2 EquityStart

The HomeStart EquityStart Loan was launched in 2005 to provide social housing tenants with a head start to owning their own home. EquityStart is a subsidised loan of up to \$50,000 and once combined with a HomeStart Loan increases home buying power. Since the programs inception over 780 loans have been settled of which 77 percent of purchasers were first home buyers.

3.4.3 Home Ownership Initiative & Property Locator

In August 2007 the State Government launched the Affordable Homes Program (AHP) Home Ownership Initiative and Property Locator website. The AHP Home Ownership initiative increases the supply of low cost homes for eligible buyers. A unique sales process gives preference to 'eligible' low and moderate income home buyers to purchase an affordable home at a fixed price for a specified period of time. Affordable Homes listed on the Property Locator website and other advertisements are branded with a distinctive orange 'key' icon consisting of houses no longer required for public / community housing and newly constructed dwellings as a part of the 15 percent affordable housing target. As at 23 January 2008, 169 properties have been listed on the Property Locator website since the program's launch in August 2007. Over 100 properties listed on this site have been sold or are currently contracted to eligible home buyers. Further information on this initiative can be found at www.affordablehomes.sa.gov.au.

3.4.4 Housing SA Service Offer

Housing SA, the State Government's housing service delivery provider is currently transforming its service offering a broader range of assistance to customers. Housing SA is helping customers choose the housing option that is right for them be this supported accommodation, home ownership or something in between. Into the future Housing SA will also be working much more closely with customers to help them plan for their housing futures and put in place action plans to assist them in realizing their housing goals for instance home ownership. This will also involve brokering in supports that people may require to assist them in sustaining the housing option of their choice.

4. CONCLUSION

As is illustrated throughout this submission South Australia has implemented a number of initiatives to address housing affordability and has many more initiatives in the pipeline. The Government of South Australia welcomes continued discussions regarding housing affordability with the Australian Government over the coming