

AHURI submission to the Senate Economics References Committee's Inquiry into Affordable Housing in Australia

authored by

**Australian Housing and Urban
Research Institute**

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Inquiry into affordable housing in Australia

On behalf of the Australian Housing and Urban Research Institute (AHURI) I am pleased to make an invited submission to the Senate Economics References Committee's Inquiry into Affordable Housing in Australia (the Inquiry).

The purpose of this submission is to draw the Committee's attention to the considerable evidence-base on affordable housing developed by AHURI relevant to the Inquiry's terms of reference. This submission addresses each of the Inquiry's terms of reference and provides information on:

- The scope and nature of affordable housing problems in Australia.
- Evidence informed directions for policy development to address these affordable housing problems.
- A list of expert AHURI researchers able to provide testimony relevant to the Inquiry.
- Definitions of housing affordability vary. From a social policy perspective, housing affordability can be defined as housing that costs less than 30 per cent of gross income for households in the lowest 40 per cent of the income distribution. It can include housing that is being purchased or housing that is rented through the private, public or community sectors. The rationale behind this definition of housing affordability is that when households on these modest incomes spend more than 30 per cent of their gross income on housing costs, they will have insufficient income left for necessities such as food, clothing, health or schooling. On this definition, in 2007–08, 60 per cent of low-income private renters were in housing affordability stress.

Affordable housing problems in Australia are characterised by:

- Insufficient supply of new housing to meet underlying demand.
- Real house prices rising faster than incomes—estimates of the ratio of average/median house prices to average/median incomes vary between 5 and 7 depending upon which measures are used.
- A preference for larger, higher quality dwellings, despite relatively small household sizes—from 1994 to 2009, the average size of a new house in Australia increased by 30 per cent from 189 to 245 square metres, average household size fell throughout 20th century from 4.5 to 2.5 persons in 2006, yet the median price of housing in Australia rose 1994–2009 by 240 per cent from \$125 000 to \$425 000.
- Falling rates of home ownership amongst 25–44 year olds—in 1981 61 per cent of 25–34 year olds and 75 per cent of 35–44 year olds were home owners. By 2011 these figures had fallen to 47 per cent and 64 per cent respectively.
- A change in the secure 'tenure for life' status of home ownership with 22 per cent of Australian home ownership careers characterised by either dropping out permanently (9%) or churning in and out (13%) of home ownership.
- Market failure at the bottom end of the private rental market with supply unresponsive to demand, despite a context of growth in the relative size of the private rental market—in 2006 it was estimated there was an undersupply of 298 000 private rental properties affordable and available to households in the lowest 40 per cent of the income distribution. By 2010 this is estimated to be over 500 000 dwellings.
- Continuing high numbers of households in the private rental market in housing affordability stress—in 2007–08 60 per cent of low-income private renters were in housing affordability stress.
- A change in the nature of the private rental market from a predominantly short-term transitional tenure, to one that has 33 per cent of its occupants (in 2007–08) as long-term private renters who have rented for 10 years or more continuously, an increase from 25 per cent in 1994. Long term private renters (597 000) now outnumber households in public housing (365 000).

- The supply of dwellings in affordable housing programs (National Rental Affordability Scheme, community housing, public housing) is not keeping pace with population growth or the changing nature of Australia's population (e.g. more older households and more households with people with disabilities)—the share of affordable housing program dwellings in Australia has fallen from 5.5 per cent in 1998 to 4.7 per cent in 2012.
- A welcome fall in the number of rough sleepers from 7247 in 2006 to 6813 in 2011.
- Growth in the numbers of people living in boarding and rooming houses and living in severely overcrowded dwellings from 46 991 in 2006 to 59 111 in 2011.

These affordable housing problems have consequences for economic growth, social cohesion and environmental sustainability that give a greater cogency to the need for government, community and industry action.

The causes and nature of Australia's affordable housing problems are complex, diverse and interact differently in different parts of Australia. Housing markets have a strong geographic dimension to them. This means there is not one Australian affordable housing problem. As there is not one problem, there is not one solution.

However, housing policy does have some of the answers and moves in housing policy to link assistance to increasing net new supply in particular market segments (e.g. the National Rental Affordability Scheme, or recent amendments to first home owner subsidies) are important. Moreover, creating hybrid arrangements to bridge gaps between the traditional tenures and creating more stepping stones between them (e.g. shared equity schemes) are the right directions for housing policy development.

However, the evidence finds that the causes and the solutions of Australia's affordable housing problems also lie beyond housing policy. The financial system, taxation arrangements, federal–state relations, income support, land-use planning and public infrastructure all have a bearing on housing affordability. To this end the Australian Government has created a number of important opportunities for these issues to be examined through further policy reviews and inquiries that focus on the financial system, infrastructure costs, tax, Federal-State relations, and welfare payments. It will be important for each of these reviews to consider the evidence below on how these other policy domains impact upon housing affordability and thus how these other policy reviews can assist in addressing housing affordability.

A full listing of research referenced in the submission—including AHURI reports—is provided at the end of the submission. In addition, direct web-links to the AHURI reports are provided in the submission. All AHURI research is available free from www.ahuri.edu.au.

I would like to thank the committee for its consideration of our submission. I would welcome the opportunity to elaborate further on this submission.

If there is any way we can be of further assistance to the Inquiry, please contact me directly on 03 9660 2300.

Dr Ian Winter
Executive Director

About AHURI

AHURI Limited is the small not-for-profit management company based in Melbourne that leads and manages the work of the Australian Housing and Urban Research Institute. Staff are experts in research management, research synthesis, knowledge transfer and research dissemination—including event design and management, and evidence informed facilitation.

AHURI Limited manages the National Housing Research Program, including a network of university Research Centres throughout Australia, and the National Cities Research Program. It also supports the Indigenous Housing and Homelessness Policy, Practice and Research Network, convenes the biennial National Housing Conference, supports a range of events to engage the research, policy and practice communities, and supports the development of research capacity building.

Through its National Housing Research Program, AHURI Limited currently invests around \$4 million annually in high quality policy-oriented housing research and associated activities. The program receives funding from three sources: grants from the Australian Government and all state and territory governments, contributions from the Institute's university partners and third parties.

The company, through the AHURI Limited Board, is committed to the highest standards of corporate governance—undertaking vigilant internal and external audit processes each year—and to the promotion of transparency in our operations.

AHURI has a public good mission to deliver high quality, policy-relevant evidence for better housing and urban outcomes. Our work informs the policies and practices of governments and industry, and stimulates broader debate.

AHURI receives income from three sources: grants from the Australian and all state and territory governments, contributions from our university partners and third parties.

What is our research approach?

AHURI is purposefully structured to support the delivery of high quality research and actively transfer this into policy development. We broker engagement between policy-makers and researchers, which allows us to undertake research that is purposeful and actively contributes to national housing policy development.

We use a variety of academically rigorous research approaches, giving us the flexibility to undertake longer-term projects when fundamental research is needed and also respond quickly to new policy or practice issues as they arise.

Once research is complete, we ensure findings are actively disseminated through a variety of mechanisms, including our peer reviewed report series, events and conferences program, website, and our series of Evidence Reviews.

Expert AHURI Researchers able to provide testimony

AHURI is able to facilitate direct communication with the authors of AHURI research, should further evidence be of assistance in the Inquiry hearings. Authorities in the area of affordable housing in Australia include:

- Professor Mike Berry
- Professor Terry Burke
- Professor Kath Hulse
- Dr Julie Lawson
- Associate Professor Vivienne Milligan
- Professor Hal Pawson
- Professor Peter Phibbs
- Professor Bill Randolph
- Professor Gavin Wood

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INTRODUCTION

Housing affordability is commonly defined to be where housing costs exceed 30 per cent of gross household income, and is typically considered to be of greatest policy concern for those on lower incomes. Affordable housing is defined in this submission to mean housing that is affordable (i.e. below 30% of gross income) for households in the lowest 40 per cent of incomes. It can include housing owned or being purchased, or housing being rented privately or through the public and community housing sectors.

Those low-income households experiencing housing costs above 30 per cent are thought to be in housing affordability stress. Certain groups are more likely to fall into housing affordability stress: renters, owners with mortgages and families with children. Low-income home purchasers experience housing affordability stress three times greater than the Australia-wide average—49 per cent compared to around 16 per cent overall (Yates & Gabriel 2006). While two-thirds of people escape housing stress within a year, a significant group who experience sustained housing stress find it increasingly hard to escape (Wood & Ong 2009). Sustained housing stress is associated with problems such as health issues (Rowley 2012).

Government interventions in housing can have many effects, some unintended. Policy-makers need to understand all effects, but also to understand the effectiveness of these policies including in relation to affordability.

In judging the effectiveness of government interventions related to affordable housing, policy-makers are typically concerned about issues of equity and efficiency. Housing policy-makers may also have other concerns such as environmental sustainability.

Equity includes concepts of vertical equity (ensuring that government benefits those with lowest income, wealth or capabilities), horizontal equity (ensuring equal treatment between people of equal position) and inter-temporal equity (ensuring governments assist households or individuals to equalise income or wealth over the life-course). Housing affordability is typically closely linked with vertical equity since it considers how well those households with the lowest 40 per cent of incomes fare, but there may be other policy concerns including affordability across the life course or intergenerational equity. Efficiency means that interventions should preferably improve (and at least not undermine) market outcomes, including market incentives to supply housing.

The following discussion focuses on effectiveness of policies in achieving their intended purpose, including equity concerns but also efficiency.

1 RESPONSE TO TERM OF REFERENCE A

- (a) The role of all levels of government in facilitating affordable home ownership and affordable private rental, including:
 - (i) the effect of policies designed to encourage home ownership and residential property investment
 - (ii) the taxes and levies imposed by the Commonwealth, state, territory and local governments
 - (iii) the effect of policies designed to increase housing supply
 - (iv) the operation, effect and future of the National Rental Affordability Scheme
 - (v) the regulatory structures governing the roles of financial institutions and superannuation funds in the home lending and property sectors
 - (vi) the operation and effectiveness of rent and housing assistance programs.

What policies encourage home ownership?

A range of current policies are directed to encourage home ownership in Australia, including policies that encourage access (first home owner grants and First Home Saver Accounts), and those that financially subsidise home owners (taxation expenditures and assets test exemptions).

First Home Owner Grant / First Home Owner Boost

The First Home Owner Grant (FHOG) is a demand-side federal subsidy of \$7000 (in most jurisdictions) which is administered by state and territory governments and provided to first home owners or purchasers to encourage homeownership. The First Home Owner Boost (FHOB) provided an additional \$7000 to first home owners purchasing new dwellings at particular times (2001–03 and 2008–09). The grant is administered through state revenue offices and various states and territories have supplemented the scheme with schemes of their own. This means that amounts vary by region and whether the home is established or a new dwelling. Recently the majority of jurisdictions have restricted the FHOG to purchasers of new properties to better target this grant to stimulate new supply. The grant has also been used for other purposes, for example when introduced in 2000 it was intended as a housing market offset to the introduction of the GST and in 2008–2009 the FHOB was used to prop up the housing market and construction industry during the economic downturn (Wood et al. 2010b).

Taxation expenditures for home ownership

Tax expenditures for home ownership are subsidies that are built into the income tax law that reduce the cost of purchasing and occupying a home and thereby encourage owner-occupation (Bourassa & Grigsby 2000). Home ownership in Australia is exempt from capital gains tax and other income taxes. Yates (2009) uses a tenure-neutral approach in analysing the impact of these tax expenditures and found that in 2005–06 there was \$45 billion in indirect assistance to owner-occupiers, made up of:

- \$29.8 billion from the capital gains tax exemption of the family home ('main residence').
- \$6.9 billion from the non-taxation of imputed rent (in turn, made up of a benefit from the non-taxation of imputed rent less operating costs and a cost from the non-deductibility of mortgage interest costs).

- \$4.8 billion from the exemption of imputed rent from the GST.
- \$3.5 billion in exemption from state-based land taxes.

Under this benchmark, for 2007–08, the Treasury estimates \$23.5 billion in revenue foregone from the capital gains tax (CGT) concession on sale of a home by an owner. By comparison, combined concessions for superannuation earnings and contributions amounted to \$22.4 billion while the CGT discount for individuals and trusts was estimated to cost \$8.6 billion in revenue forgone (Wood et al. 2010b).

First Home Saver Account

The First Home Saver Account (FSHA) policy was introduced in 2008 to assist prospective home owners to save for a deposit. The federal government makes a 17 per cent contribution for the first \$5000 in each year that it is made and contributions are indexed to inflation. There has been an increase in usage of the program with the revenue cost of FHSAs estimated at \$156 million in its first full year of operation, growing to in excess of \$400 million in its fourth year of operation.

Shared Equity Schemes

Shared equity schemes aim to support home ownership for those on low-incomes by creating equity partnerships between housing consumers and financial institutions. These policies have been advocated as more effective at enabling low-income earners access affordable home ownership compared to First Home Owner Grants. Gurran et al. (2009) finds that there are already a number of shared equity schemes in Australia, including those operated by Governments in Western Australia and South Australia. There is a greater preference for schemes that allow shared equity owners to 'step up' their equity over time to become outright owners.

Assets test exemption

Most federal income support payments are subject to an asset test, but the value of the 'principal home' of an individual is excluded from the asset test for most transfer payments. This means that pensioners can still access income from the pension while retaining ownership of their principal residence (by contrast, the value of rental properties is included in the assets test). This encourages 'ageing in place' though may undermine incentives to downsize or sell the house if this serves to reduce access to pension entitlements (Ong 2012). Judd et al. (2014) showed that older people tend to occupy larger houses than suggested by their household size suggesting some inefficiency according to typical standards of occupancy. While most older people desired to stay in their homes, downsizing may also have benefits in terms of better fitting needs as people age and releasing equity. Judd argued that financial disincentives to downsizing, including those related to the purchase and transfer of housing (e.g. stamp duty) and eligibility for the age pension above certain thresholds might be addressed.

What are the effects of policies that encourage home ownership?

Ownership rates are lower for key demographic groups

Recent trends suggest that home ownership rates are in decline for key demographic groups. Flood (2010) shows that from 1996 to 2006 there were two age-income groups that experienced particularly large falls in ownership in metropolitan areas—there was a 13 per cent drop in home ownership among middle-upper income 25–44-year olds, and a 10 per cent drop among low-income 45–64-year olds. The 25–44-

year-old age group is a prime driver of the mortgage market, and their more limited participation is likely to influence the overall home ownership rate in future.

Home owners are also facing increasing affordability problems

The 2011 Census reveals the number of households paying more than 30 per cent of their income to buy a home has risen by 17.8 per cent since 2006 (AHURI 2013).

First Home Owners Grants are generally ineffective at helping low-income earners into home ownership

Research using the AHURI-3M micro-simulation model established that First Home Owner Grants were effective in bringing forward home purchase decisions, especially when a full \$14 000 was offered (Wood et al. 2013). However the modelling established that because it is not targeted to low-income earners, the policy doesn't serve to redistribute demand towards low-income earners, instead it benefits those that would have eventually become home owners anyway (Wood et al. 2013). The subsidy is effective at reducing the deposit constraints but not the mortgage repayment constraints for home ownership.

Shared equity arrangements are effective at helping low-income earners access home ownership

Wood et al. (2003), find that shared equity schemes are more effective than the FHOG in increasing low-income participation in home ownership. Such schemes are predicted to increase (in the short run) the share of home ownership taken up by lower income households by 8.8 percentage points. However, capping the proportion of equity taken by the limited partner significantly reduces the number of tenant income units predicted to enter shared equity home ownership arrangements. Reluctance by financial institutions to purchase high equity shares would severely limit the short-term effectiveness of a shared equity scheme.

Tax expenditures advantage home owners over renters or investors, but especially higher income earners and outright owners

Yates (2009) shows that at an aggregate level, tax expenditures in 2005/06 provided an average annual subsidy of almost \$7000 per household per year although the subsidies are not equitably distributed between tenures. By tenure, they were equivalent to a subsidy to:

- owner-occupiers of more than \$8000 per household per year
- investors (most of whom are also owner-occupiers) of more than \$4000 per household per year
- renters of just over \$1000 per year.

Although these estimates exclude direct subsidies to first home owners (e.g. through first home owners grants) and to private renters (e.g. through rent assistance) which would moderate these differentials, the differentials remain marked.

Yates (2009) shows that tax expenditure policies have vertical equity implications as they disproportionately advantage higher income earners: for all households (that is, owners and renters) in the top income quintile, the average annual benefit from the largest of the tax exemptions alone (exemption of the family home from the capital gains tax) is over \$8000 per year, around seven times the average annual benefit of \$1200 per year for households in the lowest income quintile.

Younger (less than 45 years) owner-occupiers, most of whom have relatively low equity in their dwellings and face high mortgage debt, are relatively disadvantaged by

the structure of tax expenditures because of their inability to deduct the costs of purchasing their home from the income it produces. This disadvantage, however, is greatest for higher income younger purchasers because of their greater borrowing capacity. High income purchasers under 45 years old receive an average subsidy of \$6500 per year, by comparison with older purchasers who receive over \$20 000.

Home ownership still provides financial benefits to those on low-income and in outer suburbs

It is getting progressively harder for low–moderate-income households to purchase a home and avail themselves of the potential financial and other benefits of ownership. Despite these difficulties, it appears that low–moderate purchasers buying in outer urban areas will have financial advantages compared to continuing to rent, which can be realised in some cases within four years of purchase.

Defined as where a household finds it difficult to meet housing expenses once basic needs are met, around a quarter of low–moderate income purchasers are estimated to experience financial hardship. Using the residual income method of affordability also reveals that the capacity to purchase is greater above about \$60 000 p.a. than is suggested by the 30:40 affordability benchmark. The fortieth percentile of purchasers is at \$75 000 p.a., so this suggests that some in the lowest forty percent of purchasers experience affordability. This explains why low-moderate income purchasers have been able to continue to buy, but families with children are being squeezed out of the market due to their higher non-housing expenditures. However, low–moderate-income earners are constrained to purchase in outer suburban areas. Problems occur when a household needs to move in the early years of purchase. Forty one per cent of households who purchased in outer growth areas of Melbourne in 2005–06 and sold within two to three years made a loss (based on analysis of repeat sales data) (Hulse 2010).

What policies encourage residential property investment?

Government policies to support private rental investment are principally through two means: the ability of investors to deduct net losses from rental income against their income tax ('negative gearing') and reductions in taxation of capital gains. In contrast to home owners, rent is an assessable income for income tax purposes.

Negative gearing

Landlords can deduct all expenses incurred in respect of residential real estate investment that is generating rental income. Thus, landlords can deduct all holding expenses of a rental property including repairs, regular maintenance, land tax and council rates and most importantly, mortgage interest expense on a borrowing taken out to acquire the rental property. Landlords can also deduct building depreciation (the 'capital works' deduction) for the cost of construction and improvements to buildings and non-plant structures that are part of the land. Landlords can also claim depreciation deductions in respect of that part of the capital cost of the rental property which is attributable to fixtures, fittings and other plant and equipment. A deduction for rental property expenses is allowed against assessable income of the landlord from all sources. This generates the benefit of 'negative gearing'. That is, expenses in excess of rent derived on a rental property, or rental property losses, in a particular year, can be deducted from assessable income from salary or other sources in that year. Australian Tax Office figures show the popularity of its use: 67.9 per cent of individuals deriving rent had a net rental loss from their property (Wood et al. 2010b).

Capital gains tax exemptions

Landlords are assessed on capital gains on sale, as for other forms of investment or business activity. For individual landlords, the capital gains tax (CGT) 50 per cent discount applies to properties held for more than 12 months so that only half the nominal realised capital gain is assessed at the individual marginal tax rate of the landlord.

What are the effects of policies that encourage residential property investment?

Negative gearing distorts investment away from businesses or productive investment

The level of debt financing which can be obtained by an individual to finance a passive investment in residential property is likely to be higher than the level of debt which can be obtained to finance investment in active business operations, because the residential property offers better security for the lender (Wood et al. 2010b). They argue: 'overall, the combination of the tax advantages of negatively geared residential investment with the Capital Gains Tax 50 per cent discount has given this investment strategy an advantage when compared to investment in other financial and business assets.'

Negative gearing increases volatility in supply

Modelling by AHURI suggests that one-in-four property investments are withdrawn from the rental market within 12 months (Wood 2010). Thus tenants of approximately one quarter of all rental properties occupy insecure accommodation. Low-income, and negatively geared property investors, are more likely to make early exits from the rental housing market: in one year, 50 per cent of negatively geared investors in the study sample sold the property, by comparison with 20 per cent of all investors (Wood 2010). Negatively geared investors also appear to move in and out of property investments, in a 5 year period 13 per cent had repeat spells in home ownership (Wood 2010).

Henry Review reforms to negative gearing

The Henry Review of Taxation advocated changes to negative gearing. A study by Wood et al. (2011) uses the AHURI-3M micro-simulation model to simulate the recommended housing policy changes in the Henry Review of Taxation. The study found that after-tax economic costs for negatively geared investors increase with the reforms by 50 basis points from 8.0 to 8.5 (Wood 2011). In contrast, for equity investors they decline by 50 basis points, from 8.0 to 7.5. This is projected to improve affordability for renters: it is predicted that these lower costs flow through into long term average annual rents, which would fall by just over \$300 per year (Wood 2011). This would have a mixed effect on investors' willingness to retain investments: unleveraged and equity oriented investors would likely be more inclined to retain investments under the reforms while negatively geared investors would be more likely to realise their investments. Because these supply responses would offset each other, a 'flight of investors' from private rental housing seems unlikely.

What other policies (including taxes and levies) adversely affect housing affordability and what is being done to reform these policies?

Developer levies

Developers may be required to pay significant levies and contributions to councils either for basic infrastructure (such as roads, water, sewerage, gas and electricity connections), which may be constructed by the developer and handed over to the relevant authority, or for costs incurred by the local government in providing new infrastructure, or by requiring developers to contribute land for public open space or facilities.

Developer infrastructure contributions represent the largest quantifiable planning related cost in Australia, exceeding \$100 000 per lot in designated metropolitan growth areas of NSW and around \$45 000 per lot in parts of Queensland (Gurran et al. 2009). These costs have increased markedly in a number of capital cities—in Sydney they have increased from around 3.5 per cent of the cost of a house price in the mid-1980s to 16.9 per cent in 2007 (Gurran et al. 2009). Even so, residential developers are more concerned by non-financial barriers such as planning system complexity, uncertain time frames and unpredictable costs (Gurran et al. 2009).

Goods and Service Tax (GST)

Wood et al. (2010b) show that because all existing housing tenures are exempt from GST, this policy is tenure neutral. However GST at 10 per cent applies to most transactions in respect of new housing, carried on by developers in the course of an enterprise as 'taxable supplies'. In this respect, the GST exemption rules disadvantage the goal of adding to the supply of housing and greater affordability objectives (Wood et al. 2010b).

Not-for-profit community housing providers do receive exemption from GST. Milligan et al. (2013) found that half the not-for-profit (NFP) housing organisations in their sample had structures to contain or quarantine risk that was associated with private finance, development/construction and NRAS from their core rental housing business. A main vehicle for doing this was the special purpose vehicle (SPV), which is a subsidiary set up for a specific purpose, such as financing and developing new housing. SPVs typically do not have public benevolent institution or deductible gift recipient status, but GST exemptions still apply when they are NFP organisations.

Stamp duty

At the state and territory level, duties on conveyance of real estate (stamp duties) and land tax directly impact on housing. Each state and territory levies a duty on the transfer of residential real property. As a substantial tax on new purchases, stamp duty provides a disincentive to residential mobility for existing home owners wishing to sell and purchase another property especially in higher valued areas.

Land tax

Land tax is imposed by all states and territories (except the Northern Territory) on the total holding of unimproved land value in the state or territory that is owned by an entity, within that state or territory's boundaries. An exemption applies in all jurisdictions for the principal residence of an individual. Land tax is imposed on residential property owned as an investment or to generate rental income over a base threshold, calculated on the aggregate value of property owned in the state. For example, in Victoria, if the aggregate unimproved land value of rental properties

owned by an individual exceeds \$250 000, land tax will be paid on the excess value. Land tax rates in all states and territories are progressive.

Importantly, owner occupiers are exempt from land tax, while investors hold more than a threshold amount they will accrue significant land tax. This land tax arrangement is potentially responsible for the lack of large property investors in Australia. Residential property investment is characterised by a dominance of 'mum and dad' investors who mainly own one investment property (Berry 2000). In 2006–07, 1 542 712 individuals declared an interest in at least one rental property; 77 per cent had an interest in only one rental property and 91 per cent in one or two properties (Australian Taxation Office statistics cited in Wood 2010b).

Henry Review reforms to land tax and stamp duty

Modelling by AHURI (Wood et al. 2012) tests the impact of a proposal from the Henry Review of Taxation which involves imposition of a reformed land tax to replace stamp duty. It finds that the change will be felt most keenly where pressure on land use is most acute, and will speed up development in areas where land is more expensive (Wood et al. 2012). The removal of stamp duty might also affect the timing of development, as older households would find trading down is a more effective way to access housing equity. There are some positive impacts on affordability with the average plot with a land value of \$335 000 (at 2006 prices) declining by \$24 000 (approximately 5%) (Wood et al. 2012). However, the expected decline in land value will be greatest in those suburbs in and around the CBD (at around 12%), where land is currently most expensive (Wood et al. 2012). In suburbs further away from the CBD, the percentage decline in mean land value will be lower at 8 per cent or less (Wood et al. 2012).

What policies are there to increase affordable housing supply and how effective are these policies?

Public housing and the Social Housing Initiative

Direct provision of housing through public housing was an important way to boost supply for most of the post-war period as the country recovered from the shortages of housing following the Second World War and as it had to cope with increased housing demand from immigration. However governments have increasingly relied on private sector supply to meet demand. State and territory governments have rationed access to public housing by prioritising those with the most need. This has undermined financial viability of this sector as rent revenues declined. More importantly however state and territory governments have devoted a large proportion of the funds provided by federal governments towards maintaining old housing and cross-subsidising present stock rather than creating new stock (Hall & Berry 2004). Consequently, from 1996 to 2013, the stock of public housing declined by about 7 per cent (from just over 353 000 to 328 000) (Productivity Commission 2014). Public and community ('social') housing was increased through the Social Housing Initiative funded through the Nation Building Economic Stimulus Plan. More than 19 500 net new dwellings were delivered nationally by June 2012, representing a nominal increase of 5.5 per cent in overall social housing stock. Murray et al. (2013) and KPMG have evaluated this program in terms of its innovation and economic impact and have found that the streamlined planning processes involved reduced development resistance.

First Home Owner Grants and Shared Equity Schemes

One way to improve supply is to ensure that more government policies are tied to new supply. Presently most government policies—from negative gearing, and the National

Affordable Housing Agreement do not tie funding to new supply. However links have been imposed on some schemes (e.g. the most generous First Home Owner Grants are for newly built housing). New shared equity schemes in Western Australia (Sharedstart) are also explicitly linked to new build thereby promoting increased supply.

Building write off allowance

Australian Government building write off (BWO) allowance enables a landlord to deduct from their annual taxable income an amount equal to 2.5 per cent of the construction cost of a newly built dwelling or an extension. Tax measures such as negative gearing and the BWO allowance can reduce the amount of tax paid by a landlord, making investing in the private rental market (particularly constructing new stock) more financially viable.

The combined effect of negative gearing, capital gains and BWO tax arrangements on financial returns is greatest at the high rent end of the market. Wood et al. (2003) model how effective the BWO allowance is in reducing the tax burden of landlords, and thus how effective it is in promoting the supply of dwellings in the private rental market. The analysis finds that the BWO allowance has little effect on tax burdens, reducing the average effective tax rate by only 1 percentage point from 64 per cent to 63 per cent (Wood et al. 2003). The negligible impact arises because BWO allowances are recaptured on sale of the rental property, through the capital gains tax. Wood et al. (2003) propose that the US style Low-income Housing Tax Credit (LIHTC) scheme (such as the National Rental Affordability Scheme) is more effective in promoting new supply.

National Rental Affordability Scheme

The National Rental Affordability Scheme (NRAS) seeks to stimulate the supply of private rental stock through the construction of 50 000 new dwellings for private rental households. In June 2013, 14 575 new dwellings had been built and were tenanted or available for rent (Australian Government 2013). The NRAS provides a tax credit or grant if a non-income tax paying organisation, per new dwelling constructed, each year, for ten years, from the Australian government, plus a cash or in-kind contribution from the state or territory government. The in-kind element could be in the form of stamp duty or land tax concessions. In return the house must be let for 20 per cent below market rate.

Modelling (Wood et al. 2008) of a random selection of 50 000 Rent Assistance (RA) recipients finds 11 512 (a minority) paying more than 30 per cent of their income on housing costs. The study shows that the NRAS would be effective in improving affordability outcomes for those targeted by the scheme (those currently in the private rental market). A 20 per cent reduction in their rent on allocation to an NRAS property would lift 4614 (40%) out of housing affordability problems (Wood et al. 2008).

Planning based measures

In South Australia, a 15 per cent affordable housing requirement is now mandated for all new state significant developments and is increasingly being applied to urban renewal projects. Davison et al. (2012) find that a simple, clear and consistently applied overarching policy framework (such as the state mandated target) is critical to delivering a steady supply of affordable housing over time.

In Queensland, the state government's Urban Land Development Authority applied a combination of land supply, barrier reduction, affordable housing incentivisation and inclusionary zoning to large renewal sites in Brisbane, while in New South Wales the 2009 State Environmental Planning Policy (Affordable Rental Housing) introduced

measures to encourage affordable housing development, including density bonuses and a streamlined planning process. Developers involved in the study regarded the models in place in South Australia and Queensland as providing certainty about their obligations and requirements whereas these were less effective in NSW where changes were made a year after its introduction.

What regulation is necessary to promote financing of affordable housing?

Rowley et al. (2014) interviewed property developers and financiers in Western Australia, New South Wales and Victoria who were involved in high density, medium density in-fill and affordable housing developments. Debt finance is crucial to these developers since it opens development opportunities for those without up-front capital and allows them to reduce risk, but the global financial crisis (GFC) has restricted lending to the sector and tightened loan conditions with pre-sales essential to ensure finance approval. Processes that reduce risk and uncertainty for developers, and improve returns will assist developments. Large publicly listed companies and greenfield developers have not had trouble accessing finance. However, small to medium companies carrying out in-fill projects have had trouble accessing finance, especially if they do not have exceptional track records. Policy-makers need to have a clear understanding of the types of developers likely to operate in different parts of the market and establish policies that maximise the impact of that developer on supply.

Lawson (2010) finds that public and private co-financing could generate substantial affordable housing investment in Australia, but to be successful there must be (amongst other things) an effective regulatory framework to ensure decent standards, drive costs down and optimise benefits for tenants. Lawson (2012) also presents a well-grounded concept for an Australian Housing Supply Bond that would be issued by a specialised financial intermediary. Critical in this proposal are regulatory measures that are designed to ensure that the funds raised through bond issues are channeled towards affordable rental housing and meet outcomes required by governments.

What policies are there to support private renters to afford housing and how effective are they?

AHURI evidence suggests that the group most affected by affordability problems are renters. The incidence of housing affordability stress for low-income private renters was 65 per cent (based on 2007–08 figures) (Stone et al. 2013). An increasing proportion of Australian households, 7.4 per cent (596 605 households), are now renting privately (Stone et al. 2013). An increasing number of these have rented for over 10 years or more—in 2007/08, 33 per cent of renters were long-term renters, compared with 27 per cent in 1994. Long-term renters (those renting for over 10 years) experience higher levels of housing stress: 62 per cent of those in the bottom 40 per cent of the income distribution, pay greater than 30 per cent of their gross income in rent (Stone et al. 2013). Policies like rent assistance and private rental support programs to support renters can play an important role in addressing this.

Rent Assistance

Rent Assistance (RA) meets 50 cents in the dollar for rent payments above a minimum threshold, up to a maximum threshold that is determined by household composition and size. It is withdrawn once the recipient loses entitlement to the income support payment that acts as a 'passport' determining eligibility.

Hulse (2002) finds that demand side subsidies in Australia, New Zealand, Canada and the United States, whilst varying in detail are typically embedded in income support systems and thereby driven by reform of welfare programs, rather than specific housing program outcomes such as housing affordability or adequacy of housing conditions. There is no evidence in the four countries that housing allowances have stimulated an increase in the supply of rental housing that is affordable for households in receipt of housing allowances; instead, there is a decreasing supply of affordable housing. This shows that RA in isolation is not sufficient to increase supply of affordable rental housing.

Melhuish et al. (2004) finds that the impact of RA is to substantially increase the proportion of households in affordable housing in the private rental market from one-third to two-thirds. Regional differences in rents in the private rental market, interacting with the Australia-wide settings of RA, result in regional variations in the impact of RA upon housing affordability. An increase in the maximum rate of RA would tend to improve affordability for those in metropolitan areas. The effectiveness of RA on housing affordability in high rent regions can be achieved by adjusting the nationwide settings of RA, and does not require the development of a regional formula. Hulse (2002) found that RA in Australia was the only housing allowance program considered in this study (compared to New Zealand, Canada and the United States) that does not take into account variations in rent levels between different cities and regions.

Rent Assistance is also found to play a positive role in education participation for young people. Seventy per cent of surveyed recipients stated RA had been a factor in their decision to study. RA was particularly important for the education participation of two groups: those from remote or rural centres, with 40 per cent reporting it as a major factor; and secondary students living independently with over half claiming it was of major significance (Hulse et al. 2002).

Dockery et al. (2008) finds that Commonwealth Rent Assistance (CRA) in particular has a relatively small effect on work incentives. This is because reforms introduced in 1987 eliminated the stacking of CRA and other income-support programs, so that CRA is only withdrawn once entitlement to income-support programs has been withdrawn.

Private rental support programs

Private rental support programs (PRSPs) describe a range of services that encourage landlords to let their properties to low-income renters and reduce the number of bond loan accounts that fall into arrears. Specific support services include bond assistance (either grants, loans or guarantees); payment of advance rent and rent arrears (in the form of loans or grants); assistance with moving and utility costs; information and advocacy services; and provision of temporary emergency accommodation.

Jacobs et al. (2005) found that although they were valued, the effectiveness of private rental support programs is limited by a number of factors. Restrictions on the amount of support available means that the stresses arising from high rents cannot be adequately countered and this narrows accommodation options. These might be addressed by filling gaps in services, and reviewing the eligibility requirements imposed on recipients to ensure an appropriate choice of housing stock. Private rental support programs are also insufficiently equipped to assist tenants with social and personal problems (that are not financial in nature) to sustain tenancy. This could be addressed by systematically linking support services to advocacy and life-skill assistance.

2 RESPONSE TO TERM OF REFERENCE B

- (b) The impacts, including social implications, of public and social housing policies on housing affordability and the role of all levels of government in providing public and social housing.

What impact does public housing have on housing affordability?

Because renters in public housing are charged income based rents (usually at around 25% of income) and housing affordability is usually measured as being under 30 per cent of gross income, it is generally assumed that public housing is affordable for those that access it. Data collected by the Productivity Commission (2014) generally confirm that in 2013 only 0.5 per cent of public housing residents pay more than 30 per cent of their gross income in rent. This is not the case for community housing where on average around 10 per cent of tenants pay more than 30 per cent of their gross income in rent (and up to 60% in jurisdictions like Western Australia). Older public tenants are generally satisfied with their accommodation and value its affordability, security of tenure and proximity to amenities (McNelis 2008).

Even though most social housing tenants pay 'affordable rents', they may also be the ones suffering the greatest financial pressures from rising utility bills, transport costs or the need for child care if forced to locate away from family (Rowley 2012). When the residual income method of affordability is used (this measures how many households can cover housing costs after other living costs based on a modest budget are taken into account), 65 per cent of all public tenants are found to have affordability problems (Burke et al. 2011).

What are the social effects of public and social housing?

Public and social housing has positive impacts in improving stability of tenure, increasing control and reducing stress (see Rowley 2012, p.31). Public and social housing has social benefits for children and adults in terms of education and health outcomes, but mixed outcomes in terms of employment (Phibbs 2005). The poor employment outcomes of public housing tenants is linked to the increased targeting of public housing towards welfare recipients, and the lower socio-economic demographic and poorer skill composition of tenants. But even controlling for these factors, the economic participation of men and women in the tenure has worsened from 1982 to 2002, relative to other tenures: the gap between the employment rate for men in public housing and in other tenures was 27 per cent in 1982 and had increased to 38 per cent in 2002, for women it was 33 per cent in 1982 and increased to 51 per cent in 2002 (Wood et al. 2007).

What is the role of Governments in providing public and social housing?

Public housing authorities (run by state and territory governments) have faced increased financial pressures over the last 20 years. The 1996 Commonwealth State Housing Agreement (CSHA) constrained income for State Housing Authorities (SHAs) from government grants and rents from tenants, and moved to target available public housing towards low-income households with multiple and complex needs.

Most SHAs in Australia have consequently experienced operating deficits that are not financially sustainable (Hall & Berry 2004; 2007). In response to this, SHAs have sold

stock and therefore the number of households provided with longer term assistance has been reduced.

Over the period 1997 to 2013, this had resulted in a net reduction of around 34 000 public housing dwellings across Australia (this equates to almost 10% of public housing stock).

Over the same period, Governments have relied more on community housing providers to provide social housing. The community housing sector provided 68 900 social housing dwellings across Australia in 2013, compared to only 17 500 in 1997, a growth of 275 per cent, from 17 554 dwellings to 65 865 dwellings (Productivity Commission 2014). Part of this growth has come through stock transfers from the public to the community sector. Across Australia, 21 279 dwellings were transferred between 1995 and 2012, with most occurring under the Social Housing Initiative (SHI). Another 10 000 transfers are proposed by 2014 (Pawson 2013).

The drivers of this transfer growth have included:

- Revenue maximisation by community housing providers (converting public housing to community housing tenancies enables tenants to access Rent Assistance, boosting landlord income by an average of \$52 per week).
- The expectation that increased stock would enable community providers to leverage further private finance.
- Aspirations for service improvement and tenant empowerment and using transfers as part of wider place management and renewal initiatives (Pawson 2013).

New affordable housing has also been facilitated through programs like the National Rental Affordability Scheme (NRAS). There has also been an increased role for public-private partnerships between the public sector and both the private sector and not-for-profit organisations in providing and managing affordable housing (Pinnegar 2011).

While resources from the Commonwealth for public housing have declined, there has been an increased availability of Rent Assistance (RA) resulting in larger expenditures in this area. Because an increased proportion of private renters are also now long term renters (have rented their housing for 10 years or more) (Stone et al. 2013), this has implications for the costs faced by Governments. Largely because an increased proportion of households will be private renters (the home ownership rate is projected to fall) RA expenditure is projected to more than double by 2045 if current policy settings are retained (Yates et al. 2008).

3 RESPONSE TO TERM OF REFERENCE C

(c) The impact of Commonwealth, state and territory government policies and programs on homelessness

What patterns and trends can we detect in homelessness?

Using the new Australian Bureau of Statistics (ABS) measure for homelessness, the number of homeless people has risen from 95 314 persons in 2001 to 105 237 persons in 2011 (Australian Bureau of Statistics 2011). The composition of homelessness is changing with fewer rough sleepers (declined from 8% to 6% of all homeless from 2006 to 2011) and more people in supported accommodation or boarding houses. However much of the increase in numbers of homeless people recorded is related to the inclusion of a new category of people who are residing in overcrowded dwellings (Chamberlain *forthcoming*).

The ABS data suggest that the age composition has remained relatively stable with around 42 per cent of all homeless people aged 24 and under. The proportion aged over 55 has increased marginally to just over 14 per cent. Growth rates in homelessness since 2006 have been especially pronounced in ACT (89%), Victoria (26%) and Tasmania (25%).

Homelessness is driven not just by personal factors (e.g. a person's mental ill-health) but also structural factors at a societal or economic level—in particular the unaffordability of the housing market. Batterham (2012) uses a range of data sources including the Census to find that there is higher incidence of homelessness in areas of lower rent and greater numbers of private rental dwellings. The research finds that three key variables—the cost and amount of private rental housing and household income—could explain 45 per cent of the variation in rates of homelessness across Victoria (Batterham 2012).

What has been the impact of Government policy and programs on reducing homelessness?

Research by AHURI has shown positive impacts of policy and programs in reducing homelessness (Flatau et al. 2008; Zaretsky et al. 2013). Programs can be separated into support programs (to assist people escaping homelessness) and prevention programs (which seek to divert those at risk of homelessness from entering homelessness).

Specialist Homelessness Services

Specialist Homelessness Services (SHS) seek to assist clients who are currently homeless with accommodation and support. Clients of these programs in four states (New South Wales, Victoria, South Australia and Western Australia) were found to experience more stable accommodation: 37.4 per cent of clients were in stable accommodation in the baseline study (mainly those clients receiving tenancy support services), this had increased to 54.5 per cent of clients in the follow up study twelve months later (Zaretsky et al. 2013). Clients of SHS also reported improved access to health services, improved social relationships and more stable income. For example, there was a 16 per cent increase in participation in employment among clients of single men's homelessness services (Zaretsky et al. 2013).

Housing First

Housing First programs first appeared in the 1990s in the United States and were premised on rapid access to housing and consumer choice and separation of housing from support. It can be contrasted with continuum care (which puts an emphasis on conditionality of access to housing upon clients addressing mental health and sobriety outcomes). Studies of outcomes from these programs have shown impressively higher rates of housing retention for example Padgett et al. (2006 cited in Johnson et al. 2012) found that after four years, housing retention rates remained higher in the Pathways to Housing program compared to those reported in the control group—75 per cent and 48 per cent respectively.

While Housing First programs have potential to improve outcomes in Australia, they may not yield the dramatic improvements witnessed in the United States as many of the principles underpinning Housing First (client empowerment and the voluntary nature of accessing services) are already present in mainstream services (Johnson et al. 2012). Nevertheless, early studies examining Housing First type initiatives such as the Journey to Social Inclusion (J2SI) program show a sustained improvement in the housing circumstances of the J2SI participants compared to those in the control group (Johnson et al. 2011). Critically, most (86%) have maintained their housing. While the move to independent housing was difficult in the beginning, the high rate of housing retention suggests that most of the participants are developing the skills and confidence needed to keep their housing. Other benefits included lower service usage, improvements to physical health and lower levels of stress and anxiety. Few are working though nearly half are now looking for work. Similar to evidence overseas, drug taking behaviour and social inclusion continue to be ongoing challenges.

Assertive outreach

Assertive outreach programs involve the deliberate and strategic attempt to end a person's homelessness for those sleeping rough. It draws from previous approaches by involving street based outreach, but also follow up outreach in the home (similar to supported housing or tenancy management). A distinguishing feature is its Housing First approach, use of multi-disciplinary teams, access to specialist health professionals and availability of permanent stable housing. The evidence from programs using assertive outreach in Sydney and Brisbane is that they have achieved some early success (Phillips 2012). Some of the most vulnerable rough sleepers in these cities have been assisted to move to stable housing, and more could have been assisted if the housing was available. Furthermore, according to service providers in Brisbane, only 7 per cent of tenancies break down and in most of these cases, transfers to alternative housing options have been achieved (Phillips 2012).

Prevention programs

One of the key elements in the National Homelessness Strategy is a focus on prevention. Recent evidence (Flatau 2013) suggests that many of those currently homeless, had their first experience of homelessness before adulthood. Around half of all respondents experienced their first spell of homelessness prior to the age of 18. Indigenous respondents were more likely to have experienced primary homelessness at a younger age than non-Indigenous respondents: 24 per cent of Indigenous respondents experienced primary homelessness prior to the age of 12 compared to 13 per cent of non-Indigenous respondents (Flatau 2013). Many, but by no means all, respondents experienced significant issues in the home environment prior to the age of 18. The most striking single indicator of this was that 57 per cent of all respondents reported that they had run away from home at some point prior to the age of 18, 40 per cent had done so more than once. Close to half of all respondents (46%) who

indicated that they had a father in their life reported that their father had a serious drinking problem, one quarter had a mother with a serious drinking problem (25%). Significant inter-parental conflict in the home was also evident for many respondents as they grew up, 87 per cent of respondents reported it. Over half of respondents (58.8%) reported police intervention due to inter-parental conflict (Flatau 2013).

Homelessness prevention strategies often focus on key target groups, such as women and children experiencing domestic and family violence, young people in state or out of home care, Indigenous people and people exiting prison and those already in public and private rental. Evidence evaluating strategies is provided below.

There is evidence that in relation to women and children who have experienced domestic and family violence, the most effective homelessness prevention measures often combine legal, judicial, housing and welfare policy and practices in an integrated manner. Integrative schemes such as Staying Home Leaving Violence (SHLV) in New South Wales are found to have an important role to play in preventing homelessness for women and children who have experienced domestic and family violence; this is true for women living in very different situations in very different areas of Australia. The programs can influence women's decisions to remain in their home following the removal of a violent partner. These programs can increase women's confidence in their ability to remain home safely, as well as their actual safety (Spinney 2012).

Young people leaving state or out of home care face a high risk of falling into homelessness. Interviews with 77 care leavers found that the majority of young people (59 of the 77) experienced a 'volatile transition' from care. They struggled to find and maintain appropriate housing with the result that chronic housing instability and homelessness were common outcomes. Half of these however, showed an improvement in their circumstances over time. There are presently few programs to assist the transition process, making it hard to evaluate. However recent research found that the best opportunity to make a smooth transition to independent living rests on a joined up approach to transition planning that begins well before the age of 18, combined with readily available post-care support and assistance (Johnson 2010).

Programs to sustain Indigenous tenancies provide positive results in preventing homelessness. For example, the HOME Advice program's Wodlinattoai service for Indigenous clients in South Australia reported that of the 27 referrals to the program in 2007–08, all clients sustained their tenancies. There is evidence to suggest that Indigenous clients gain an appropriate level of access to tenant support programs, although the administrative data is limited. The mainstream Supported Housing Assistance Program (SHAP) in Western Australia, for example, supports the most Indigenous households of any tenant support program in Australia—548 in 2007–08, compared with 346 non-Indigenous households. Strong linkage with outside agencies is a key element that ensures the success of tenant support programs. These programs must not only address the immediate tenancy-related issues that led to referral to the program, but also the underlying needs of clients such as mental health concerns, drug and alcohol dependence issues, urban life skills and strengthening family relationships (Flatau 2009).

Programs providing transitional support to prisoners exiting jail such as the Transitional Accommodation and Support Service (TASS) and the Community Re-entry Coordination Support Services (Re-entry Link) show effectiveness in preventing homelessness. Flatau et al. (2008) shows that 64 per cent of clients in this program said their housing was much better than before receiving assistance.

Public and private renters at risk of eviction accessing homelessness prevention programs such as the Supported Housing Assistance Program (SHAP), and the

former Private Rental Support and Advocacy Program (PRSAP) provide a benefit in that the majority remain in private rental accommodation and public housing at the follow-up points. Rental arrears and tenant liabilities were also reduced for those experiencing financial pressure in sustaining their tenancies (Flatau et al. 2008).

What has been the cost-effectiveness of programs?

Governments also experienced fiscal benefits from running homelessness support and prevention programs. The reduction in average non-homelessness costs in the first year after receiving support was \$3685 per client. This is despite the fact that non-homelessness costs for many clients (especially single men) actually increased post-SHS because of increased take up of health services or better access to welfare payments. Housing First programs overseas have yielded cost savings associated with the model (in terms of reduced hospitalisation, acute treatment and involvement with criminal justice) but these rarely meet the cost of providing supportive housing (Johnson et al. 2012).

This had significant implications for the effective costs of the SHS programs. For example, total program costs of providing supported accommodation programs for single men (\$4890 per client) are partially offset by non-homelessness service savings of \$1389 per client (resulting in a net cost of \$3501 per client). The offsets for single women (\$8920 per client) are even greater, effectively saving the government \$4030 per client.

4 RESPONSE TO TERM OF REFERENCE D

(d) The contribution of home ownership to retirement incomes

Home ownership reduces poverty in old age, effectively forcing households to save for their retirement and in that sense involves a horizontal redistribution of income from working years to retirement (Castles 1997). Commentators have, in this respect, seen home ownership as a 'cornerstone' of the Australian welfare state. Australian governments have benefited by being able to expend relatively modest amounts for the age pension by comparison to other developed countries (Winter 1999).

Governments have recognised these benefits by supporting home ownership. Because of its multiple social benefits including for retirement incomes policy, Australian governments have sought to encourage home ownership through a range of measures including non-taxation of capital gains, non-taxation of imputed rent, exemption of the primary home from the pensions assets test, and first home owner grants.

However, rates of home ownership are in decline—in 2011, 67 per cent of households owned or were purchasing their home compared to over 70 per cent in 2001. This decline has not had immediate impacts on retirement incomes policy since home ownership rates for baby boomers are high (around 81% of 55–64 year olds owned their home in 2009). However it is likely to affect future generations: in 2009 younger cohorts (35–44 year olds and 25–34 year olds) had lower rates at 62 per cent and 37 per cent respectively (Ong 2013). AHURI research has found that about 352 000 households in total were not home-owners in 2006 that would have been home-owners if the incidence levels of 1986 had been preserved for households aged 25–64 (Flood, 2010). Rates of home ownership are projected to fall in coming decades. Extrapolating current demographic trends, home ownership rates are projected to fall from the 70 per cent rate maintained over the past 45 years to 66 per cent in 2045. The proportion of home owners among those aged 65 years and over would fall from the current 82 per cent to 72 per cent (Yates et al. 2008). Conversely, the numbers in rental will increase. The number of older people in low-income, rental households are forecast to more than double from 195 000 in 2001, to 419 000 by 2026 (Jones 2007).

Older people are more likely to see housing equity in instrumental terms to facilitate lifestyle choices. Attitudes towards use of the family home are different amongst baby boomer cohorts than previous generations. Australians increasingly desire flexibility around their lifestyle intentions over their retirement years. Home ownership, as the greatest financial asset for many older Australians, is seen as a conduit for choices in later life. Downsizing, equity conversion or extraction, and capitalising assets are all considered acceptable options. One quarter of respondents surveyed expect to use up all their assets before they die, and an even higher proportion (one-third) of baby boomers expect that to be the case (Olsberg 2005).

The incidence of housing equity withdrawal (defined as insitu mortgage equity withdrawal, downsizing or selling up) has increased over the last decade, despite a global financial crisis and its aftermath. Around 18 per cent of all people aged 45 and above engaged in housing equity withdrawal in 2009–10 compared to 13 per cent in 2001–02. In situ equity borrowing (where the household remains in the property but withdraws equity through a mortgage product) is the main way this occurs—it comprises 84 per cent of all episodes of housing equity withdrawal over the decade to 2011 for those aged above 45. However, those aged above pension age are more

likely to withdraw equity using traditional methods of downsizing or selling up. For example, around a quarter aged 65–74 downsize, while 39 per cent aged above 74 sell up. Reverse equity products are emerging but are usually accessed by those with significant financial resources whereas downsizing or selling up is usually a result of constraint (Ong 2013). Owner-occupiers approaching retirement are also less likely to be outright owners than in the past (37% of 55–64 year olds were still paying mortgages in 2009 compared to only 26% in 1982). This reflects changed patterns in withdrawal of equity in homes prior to retirement years (Ong 2013).

Exits from home ownership are also high in Australia—AHURI research shows that some purchasers are leaving home ownership and not returning. The rate of leaving (9%) is almost double that of the UK (5%). In addition, the rate of churn (i.e. leaving then returning) is much higher at 13 per cent compared to only 4 per cent in the UK (Wood et al. 2013). Wood et al. (2008b) also shows that in the two years following household dissolution from divorce or separation, rates of home ownership fell from 69 per cent to below 50 per cent. Those losing a partner are also more likely to lose home ownership permanently, with women in particular less likely to re-partner and regain entry to the tenure. Lower rates of home ownership and the declining availability of public housing mean increasing numbers are likely to be reliant on private rental.

This is likely to have particularly negative impacts on older aged persons. The base model estimated that 189 000 households aged 55+ were in housing stress in 2006 but projected that this would increase by 333 per cent to 630 000 in 2045. The only case more optimistic than this (which moderated numbers of people aged 55+ in stress to 484 000) assumed the low home ownership rate of those under 35 is completely reversed by the time they reach 55+ (Yates et al. 2008). This raises questions about the future adequacy of pensions, the availability of suitable private rental housing, and increased demand for rent assistance amongst those of retirement age.

Transfers to adult children to assist home-purchase appear to be occurring (Kendig & Bridge 2007) and this may be a way in which some families assist their children to deal with housing unaffordability and access to home ownership. However the solution will necessarily be partial since only some are in a position to do this, usually those with richer parents, and this may accentuate inequality between privileged and disadvantaged lineages (Yates et al. 2008; Yates et al. 2007). Other evidence challenges the idea that older people will always assist. AHURI research finds that attitudes towards inheritance have shifted about what is considered the 'right thing to do' in terms of obligations and responsibilities to children. While more than one-third have already assisted children financially (mostly loans not gifts), there is an increasing attitude of 'put yourself first after years of hard work'—commonly expressed as SKI (Spending Kid's Inheritance). Around 28 per cent of survey respondents (and 33% of baby boomers) indicated they would likely use up all their assets while they were alive (Olsberg 2005). This may have implications for lower amounts in bequests in future.

5 RESPONSE TO TERM OF REFERENCE E

- (e) The implications for other related changes to Commonwealth government policies and programs, including taxation policy, aged care, disability services, Indigenous affairs and for state and territory governments

The provision of affordable housing (or its lack of provision) can be expected to affect a range of other Commonwealth government policies and programs including: federal housing affordability programs, taxation policy, aged care and disability services, Indigenous affairs. It will also impact on state and territory government programs and policies.

Federal housing program expenditures

Without increased access to more affordable housing, the call on Commonwealth government revenue for Rent Assistance is likely to increase over time. Yates et al. (2008) argues that over the 40 years to 2045, the total number of households in housing stress is projected to increase by 77 per cent and the total number of lower-income households in housing stress is projected to increase by 84 per cent. In addition, the proportion in home ownership is forecast to decline to 66 per cent by 2045, while the number of private renters will increase. This is likely to increase the expenditure on Rent Assistance (RA) from less than \$2 billion annually to over \$5 billion annually (measured in 2006 dollars). However, projected First Home Owner's Grant (FHOG) expenditure would decline from \$1 billion to less than \$500 million (assuming the amount of FHOG remains the same at \$7000).

Tax

By and large, federal tax revenues are not significantly affected by poor housing affordability outcomes. GST revenue may be adversely affected by lower household expenditures of those experiencing financial constraint associated with housing stress, but higher consumption expenditures are also associated with increased housing wealth of home owners which in turn is linked to higher house prices (Yates 2009).

There are important direct effects of housing affordability on tax revenue at a state and local government level (where land tax, stamp duty and rates are all levied on property values)—higher property values garner increased tax revenue. Poor affordability might be expected to increase homelessness (and its attendant problems of a lack of a fixed address, reduced ability to find work etc.), and this has repercussions for income taxation.

The tax system might potentially exert a strong effect to improve housing affordability though it is questionable whether the present system does this effectively. Federal governments provide significant tax expenditures in relation to capital gains, income tax and GST to owner-purchasers by around \$45 billion a year, effectively reducing Commonwealth revenue with the aim of improving access to home-ownership. Federal governments also provide tax expenditures of \$5.4 billion to investors made up of \$4.2 billion from the discount on capital gains tax provided to individual investors; and \$1.2 billion from the ability of investors to deduct the costs of earning rental income from other source income (that is, from their ability to negatively gear). Around \$2.8 billion of federal tax expenditure went to renters from the non-taxation of imputed rent (arising from subsidies which result in them paying less than market rent for their dwellings) and exemption of rent from the GST (Yates 2009).

Such tax expenditures materially assist home owners, renters and rental investors, but do not necessarily improve affordability outcomes. Interventions are presently not always targeted towards those most in need and add to demand while doing little to add to housing supply. Stamp duty effectively reduces turnover in housing stock, reducing liquidity. Both serve to worsen housing affordability. Reforms to the tax system to reduce the attractiveness of negative gearing suggested by the Henry review of tax are predicted to result in lower rents and no flight of investors in net terms. Reforms to replace stamp duty with a reformed land tax would speed up development in areas that are more expensive and reduce land values in the inner cities making purchases in these areas cheaper (Wood et al. 2012).

Aged care

Availability of affordable housing will have significant impacts on the costs faced in retirement for many Australians especially those on low-incomes such as pensioners. The pension level in Australia has been kept low because of high rates of outright ownership enabling housing to be affordable for most older people. However this is changing as more older people rely on the private rental market. Furthermore, providing in-home formal or informal care for older adults is less costly for government than providing institutionalised care. This is because there is a substitution of unpaid informal care, and also no recurrent cost of accommodation. The average annual value of in-home formal care is approximately \$7520 per year and in-home informal care is \$10 880. In cases where both formal and informal costs are provided, they are only marginally higher (\$11 370 per year). These are a fraction (between 15% and 23%) of the total annual costs faced when a person is in residential care (\$48 710). Importantly, home ownership, rather than public rental, was associated with lower costs of care (Bridges et al. 2008). Home ownership enables people to stay longer in their home. Home and community care packages and policies for visitable or universal design also have ramifications for affordability for older people (Judd et al. 2010). Policies to encourage downsizing are dependent upon access to suitable and affordable housing—especially housing that is located close to where older people currently live (Judd et al. 2014). Equity withdrawal mechanisms may be a better option for those wishing to stay put and release financial resources to finance retirement so long as it doesn't financially disadvantage those choosing to do so (Ong et al. 2013).

Disability care

Affordable housing is critical for people with disabilities. Recent evidence suggests that compared to households where there was no disability, people with a disability and their carers experience greater housing stress. Where they rent, they are more likely to rely on public housing. Thirty-six per cent of households affected by a disability and renting paid more than 30 per cent of their gross income for housing compared with twenty-six per cent of households where no disability was reported (Beer & Faulkner 2009). This is exacerbated by the fact that suitable housing is difficult to source for people with a disability, with many households affected by disability unable to move, instead modifying homes—even though these may be poorly located. Forty per cent of households containing a person with a disability moved once or not at all in the ten years to 2006 compared with 30 per cent of the general population (Beer & Faulkner 2009). The findings of the AHURI study suggest that affordable and appropriate housing needs to be integrated with other forms of assistance, including care or home maintenance packages.

Indigenous affairs

Australian governments have increased access to public housing for Indigenous people (Flatau 2005). However public housing policies may need to change to recognise Indigenous cultural practices to sustain public housing tenancies (Habibis et al. 2013). Australian policy-makers have also sought to promote home ownership as a means of fostering stable tenures and economic responsibility. AHURI research has shown that home ownership is desired as a tenure by Indigenous people and also found to be an affordable alternative for around a quarter of Indigenous people (Memmott 2009). On communal title lands, Community Land Trusts offer a promising form of affordable housing that may meet the particular needs of Indigenous communities for intergenerational succession (Crabtree 2012).

6 RESPONSE TO TERM OF REFERENCE G

- (g) Planning and policies that will ensure that women, particularly vulnerable women, have access to secure, appropriate, affordable and adaptable accommodation

Women's access to secure, appropriate, affordable and adaptable accommodation is an important issue especially in light of the particular challenges women face, including: loss of a partner; low superannuation balances (relative to men); domestic and family violence; homelessness; higher likelihood of ageing alone; and being in insecure forms of employment. Indigenous women face additional challenges in obtaining stable housing stemming from mobility and poor service access. Government housing policies and programs that respond to these issues are considered below.

Loss of a partner

Household dissolution is likely to cause financial pressures, as there is a reduction of income for one or both partners while housing costs still need to be met. This might occur through separation and divorce or bereavement.

AHURI research shows that in the first-year following the loss of a partner, the housing costs of renters and purchasers double as a proportion of their household income. Rates of housing affordability stress increase from 9 per cent of these households to almost one-third. In the two years following household dissolution from divorce or separation, rates of home ownership fell from 69 per cent to below 50 per cent

On relationship breakdown, low-income female headed households are especially vulnerable. AMP-NATSEM (2005) show that disposable income for those who remained married rose by an average \$2,500 a year for males and \$2700 a year for females. However, those who separated saw their household disposable income *fall* by an average of \$4100 per year for males and \$21 400 per year for females in the first year after separation. AHURI research shows that low income seems to deter females from separation and divorce relative to those on higher incomes.

Re-partnering puts most women and men back into a position of home ownership. However there is an increasing number of single woman households and a significant number who have fallen out of home ownership through loss of a partner (Wood 2008b). Other researchers show that older women and those with dependent children would benefit most from re-partnering, but are least likely to have done so six years after divorce (Hughes 2000).

AHURI research also shows that women are also more likely to end up on their own because of bereavement. Because of their longer life expectancy and tendency to be younger than their partners, older women are much more likely than their male counterparts to suffer bereavement and as a result end up living alone or in aged care (Wood 2008b).

To address the loss of home ownership, AHURI researchers advocate for government intervention in the form of an income contingent loan—the Housing Lifeline Proposal—to meet the needs of those such as the divorced and the bereaved who suffer unanticipated reductions in income. It would offer a universal entitlement to all Australians, who can draw down the entitlement to meet mortgage payments that are

subsequently repaid through the tax system once income exceeds a threshold level, similar to Higher Education Contribution Scheme (HECS).

In private rental housing, 41 per cent of remaining tenants become eligible for Commonwealth Rent Assistance (CRA) or receive more CRA following household dissolution. A group that misses out are people who are eligible for CRA before the loss of partner, but continue to live in the same house after the partner has left. They will receive the same housing assistance even though their partner has departed and despite a likely fall in income. The two tenant groups who are particularly vulnerable are women with children, because they typically remain in the family home, and widows (again typically women), because they often suffer an abrupt fall in income. For those in the private rental system, AHURI researchers advocate for different rules for administering Rent Assistance for those under and over 65 to benefit older single people—many of whom will be women (Wood et al. 2008b).

Low retirement assets

Middle aged full-time employed women have about 66 per cent of the superannuation balances of men, but women close to retirement have only 46 per cent (AMP.NATSEM 2003). Because of their low superannuation balances, retired women are more reliant on pension income. For this reason, if they are owners the pension asset test principal residence exemption is particularly important (Wood et al. 2010b).

Domestic and Family Violence

Women escaping violence from their partner often lose access to their dwelling and can be at risk of homelessness. Newer approaches have sought to remove the perpetrator of the violence and encourage the victim (usually a woman) to remain in the house. Integrated domestic and family violence programs such as the Staying Home Leaving Violence program in New South Wales work at solving personal, legal and housing issues in concert. Such programs can help to influence women's decisions to remain in their home following the removal of a violent partner and have positive outcomes for the women involved including in terms of reducing homelessness (Spinney 2012).

Homelessness

Most homeless people are men (56%), but the number of homeless women has increased over the last 5 years by 19 per cent. The number of women over 55 who are homeless has also increased by 11 per cent. Recent AHURI evidence suggests that a new distinctive path is emerging with a growing number of older people who now identify as homeless previously having had a conventional housing history and are experiencing homelessness for the first time. Some advocates have argued that women are an increasing vulnerable group to homelessness (Homelessness NSW n.d.; Mercy Foundation n.d.) Assistance with Care and Housing for the Aged (ACHA) program is funded through the Commonwealth Department of Health and Ageing. It operates through community and government agencies and is designed to assist disadvantaged older people who are at risk of homelessness or are homeless. Many older people feel uncomfortable engaging with the welfare sector and this is a good example of a program dedicated to older people that engages this group well. However there is scope for wider implementation and coordination across the wider aged care and homelessness service sector (Petersen *forthcoming*).

Being single and ageing

Women are projected to account for more than 50 per cent of the growing number of people living alone, across all age brackets (Wood et al. 2010b). This suggests a growing demand for smaller dwellings that could facilitate the release of housing equity to help finance retirement. Women are over-represented in rental housing across all age groups, but are particularly vulnerable in old age. At ages 85 and over they made up 70 per cent of rental householders (Jones 2007). Programs such as Home and Community Care (HACC) assist ageing residents to modify their house to cope with new demands of ageing so that they can live in their home longer. However, Australia lacks a systematic approach to the provision of these services that limits their effectiveness in achieving health, wellbeing and housing outcomes. There are great disparities in the level of services; and in who is able to access services. Also, there are shortfalls in professionals, such as occupational therapists, and in architects and builders who understand safety and accessibility issues for older people. There are no sector-wide information systems, and there are under-developed links with the health system (Jones 2008).

Insecure work

Security of occupancy is an important feature of housing for women—especially for women with children and those seeking work. Around a quarter of women in public housing had some type of paid work, with most employed part-time. Because most had insecure employment with low-wages, they were unlikely to want to move out of public housing (which has security of tenure). The risk of losing stable and secure housing through policies such as reviewable time limited leases would undermine the incentive to take up work (Hulse & Saugeres 2010).

Indigenous women

Achieving stable housing and sustainable tenancies for Indigenous women requires service providers to develop strategies to remain in contact with Indigenous women, and to provide case-managed practical support for Indigenous women for personal, social and family matters, including the development of life skills. Providers (or potential providers) of culturally appropriate services would also benefit from considering the particular aspirations and understandings of house and home by Indigenous women (Cooper 2005).

7 RESPONSE TO TERM OF REFERENCE I

- (i) Planning and policies that will ensure the availability of an appropriately skilled workforce

How are problems in sourcing skilled labour constraining supply of affordable housing?

Research by AHURI concludes that the housing sector labour force is contributing to supply constraints though the issues probably pre-date the recent period when affordability problems emerged. In general, supply constraints associated with labour relate to the segmented structure of housing industry employment and the different ways these labour segments are recruited, trained and retained. While labour in 'bespoke' building (specialising in one-off houses and alterations and additions) is closely associated with a broad range of tasks and high levels of skill, particularly for carpenters, project building (specialising in volume product) is associated with more specialised tasks, requiring a narrower range of skills which leads to higher turnover in employment. Labour supply could be affected by poor apprenticeship retention due to a lack of appropriate supervision in the workplace, problems with poor and inappropriate training, bullying and abuse in the workplace, and low-wages. With the exception of a few places (mainly in Queensland) housing sector labour is located where demand is occurring (i.e. there does not appear to be a substantial geographic mismatch of labour). While mobility for project builders is high, on average, distances travelled to jobsites actually reduced over the period 2001 to 2010 (Dalton 2013).

8 RESPONSE TO TERM OF REFERENCE J

- (j) The role of innovation in building materials and construction, including prefabricated and sustainable materials

How can construction times be reduced

Average construction times for new housing have lengthened over the previous decade (the time required to build a detached house has increased from six to ten months). A significant inefficiency in housing production relates to problems with multiple subcontracting arrangements and complexity in scheduling arrangements. Off-site manufacturing has been suggested as a desirable way to reduce costs of housing production as it enables greater control over production sequencing. However on-site production has the advantage of being better placed to ride out the regular economic cycles of shifting demand for new housing (Dalton 2013).

The broader trend towards increased production of flats and apartments that utilise different techniques may offer some scope to inform policy-makers about how to reform the suburban house building industry.

Further consideration to how scheduling and production processes can be reformed towards best practice may also be a way forward. Dalton also suggests that Government programs (e.g. the National Rental Affordability Scheme) that are designed to stimulate demand for new housing (including 'affordable' housing) might also be reviewed to encourage product, process and organisational innovation leading to reduced completion times.

An important next phase of development to grow affordable housing will be in the middle ring ('greyfield') suburbs. These are suburbs with ageing housing stock which will need to be replaced, probably with medium and higher density housing. However there is a cost premium in undertaking medium and high density housing: the construction cost differential of detached sole occupancy (\$1152 per square metre) compared to low-rise medium-density (\$1218 per square metre) is negligible. However, there is a jump in construction costs of mid-rise medium-density (\$1637 per square metre) and mid-rise high-density (\$1993 per square metre)—34 and 64 per cent respectively higher than low-rise medium-density. To make the transition to an affordable compact city living environment in the middle suburban greyfields, ways must be found to minimise this cost differential between dwelling types. The research has identified several critical success factors, including new modes of design and construction that can regenerate greyfields at an appropriate density and price point (Newton 2011).

9 RESPONSE TO TERM OF REFERENCE K

(k) The impacts of improving sustainability (including energy efficiency) of new and existing housing stock on improving housing affordability

Research has sought to integrate the full costs of energy use into affordability estimates and model overall affordability outcomes if more energy efficient housing design was mandated through building standards (compared to present 5-star standards). Results show that, beyond the first few years of occupation, the bill savings associated with higher energy efficiency design outweigh the higher build costs (Morrissey & Horne 2010). In other words, energy efficiency pays when compared with 'business as usual' 5-star designs.

Improving the design of housing needs to be combined with behavioural changes to effect improved sustainability, and through this improved affordability. AHURI research shows that moving households towards sustainability is a process of ongoing social change. Despite householders' preferences for voluntary change policies, the likelihood is that a mix of regulation, pricing, and voluntary behaviour change will provide the most appropriate triggers and signals to achieve household sustainability (Fielding 2010).

Fielding found that there were differences in attitudes towards water and energy conservation related mainly to household tenure. Owners were more inclined to engage in everyday sustainability behaviour as well as install water and energy saving appliances. Differences across household income groups were few. Single person households engaged in conservation through everyday actions, whereas multi person households and families were more inclined to install efficiency devices. Older people and those less educated were reportedly more inclined to curtail water use.

Of particular relevance to policy-makers is knowing whether there are particular problems with investment in energy and water efficiency technologies in the private rental sector. AHURI research (Gabriel et al. 2010) showed that private rental investors consulted expressed concern about recouping their costs of investing in any energy or water saving technologies (such as energy efficient heating and cooling systems, hot water systems and solar power). Investors also reported a number of non-financial 'barriers to change' including: disinterested tenants; potential for property damage; problems with property access to make renovations; difficulties with the current housing design; and difficulties with obtaining agreement through the owners' corporation. However, even if landlords invest less in water and energy efficient technologies, there was no greater energy use among rental households. In fact, the opposite is true—home owner households have 13 per cent higher energy expenditure than private renters, even when controlling for income, household size and dwelling type, location and climate.

10 RESPONSE TO TERM OF REFERENCE L

- (l) The role of innovative and responsible funding mechanisms used in other countries, including the United Kingdom, United States of America, Canada, Austria and the Netherlands, that provide a stable and cost effective way of funding affordable rental and social housing, such as affordable housing supply bonds and an affordable housing finance corporation

A range of funding mechanisms have demonstrated success in leveraging finance in other countries, including France, United States, Switzerland, the United Kingdom, the Netherlands and Austria (Lawson 2010).

Drawing from the international cases used in this study, Lawson found that public and private co-financing could generate substantial affordable housing investment in Australia, but to be successful there must be:

- Articulation of a clear public vision, and goals and targets for affordable housing.
- Specific mechanisms to raise and distribute large tranches of private finance structured in keeping with the local institutional context.
- Industry norms and an effective regulatory framework to ensure decent standards, drive costs down and optimise benefits for tenants.
- Supply and demand side subsidies provided on a long term basis.
- Recognition that it is governments' (not the providers') responsibility to support incomes that are inadequate to afford decent housing.
- Allocation of responsibility to housing providers for provision of housing and cost effective housing services.
- A mix of household incomes in housing projects to promote the social acceptance of affordable housing, integrate disadvantaged households and contribute to a more secure revenue stream for providers and investors.

Recent policy interest has focused on the Housing bonds model (pioneered in Austria) which can be effective at leveraging finance for affordable housing. AHURI investigated the potential to adapt the Austrian Housing Construction Convertible Bonds scheme to Australia (Lawson et al. 2012). The Austrian scheme has been found to be popular among risk averse investors, an efficient scheme for capturing long-term savings, and given the modest tax incentive, very cost effective. The research outlined a well-grounded concept for an Australian Housing Supply Bond that would be issued by a specialised financial intermediary, and regulatory measures that are designed to ensure that the funds raised through bond issues are channeled towards affordable rental housing and meet outcomes required by governments.

11 RESPONSE TO TERM OF REFERENCE M

(m) The role and contribution of the community housing sector in delivering social and affordable renting housing

The community housing sector has grown considerably since 1997 from a stock of around 17 500 dwellings to 65 800 in 2013. Pawson shows that a large proportion of this growth came through stock transfers. Across Australia, 21 279 dwellings were transferred between 1995 and 2012, with most occurring under the Social Housing Initiative (SHI). Another 10 000 transfers are proposed by 2014 (Pawson 2013).

In 2009 the federal, state and territory governments agreed that as much as 35 per cent of all social housing stock would be managed by the not-for-profit housing sector by 2014. This would be achieved by transferring management (and some ownership) of public housing dwellings to not-for-profit (NFP) housing associations (Jacobs 2010).

Advantages for governments include that they no longer directly provide services but rather steer the sector via regulation and incentives. This removes the need for government to borrow money to buy or maintain dwellings. Not-for-profit housing associations are able to employ staff with specialist skills to support tenants with high needs (Pinnegar et al. 2011).

The advantage of public housing transfers to the NFP housing associations is that assets, such as rent flows and property titles (as security) improve their borrowing capacity, giving them the means to turn over inappropriate properties and reinvest the proceeds. Redeveloping transferred public housing stock can provide an opportunity to move into mixed tenure development and urban renewal. NFP housing associations decisions to increase involvement in urban renewal depend on governments transferring stock at an appropriate scale (i.e. not too large or too small) in the right location, and on their ability to establish partnerships with appropriate private sector developers (Milligan et al. 2013).

Governments see developing partnerships with the private sector as a key role for NFP housing associations into the future, with the private sector taking on risk and paying the costs of capital. Notably, NRAS is founded on such partnerships working, drawing upon the distinct skills of both the private and NFP sectors to operate for their mutual benefit. Larger housing-led urban renewal programs have also identified successful methods for public-private partnerships (PPP) involving government, NFP housing associations and private developers (Pinnegar et al. 2011).

AHURI research (Milligan 2004) shows that the key ingredients of the housing association model that enable success are:

1. Savings on developer profit margins.
2. GST exemptions on the supply of housing.
3. Cross subsidies from higher income tenants.
4. The capacity of tenants to receive CRA.
5. Some limited developer contributions and gains through the land use planning system.

It has also been shown, that since the advent of NRAS, NFP housing organisations in Australia have responded well to recent opportunities to upscale, diversify and innovate (Milligan et al. 2013). Leading organisations have built their internal capacity,

become more savvy to commercial opportunities and increased their financial independence, while maintaining a strong commitment to their social purpose. Improving certainty of government policy, especially funding to support a pipeline of housing production, is needed to enable the leading housing NFP to consolidate these gains. Qualitative research with the CEOs of 14 largest NFP housing associations revealed, in the three years to 2011, a general move away from managing assets for other owners, in particular state housing agencies, and a focus on procurement, ownership and using of assets to develop the organisation's business. The organisations that changed most were traditional community housing providers whose expertise had been in tenancy management but had repositioned themselves to capture new funding opportunities that involved asset ownership.

AHURI research found that affordability for tenants in affordable housing projects generally lay on a range between that found in public housing and the private market (Wiesel et al. 2012). However, those providers with heavier debt financing obligations were least able to house lower-income households affordably. All of the housing projects examined had at least some positive outcomes in terms of social, environmental and financial sustainability. For example, in several projects, tenants were benefitting from lower living costs as a result of reduced water and energy bills and having good access to services. On the other hand, in many projects, parking provision was reduced as a means to achieve greater dwelling yield and this had a negative impact on residents' satisfaction.

RESPONSE TO TERM OF REFERENCE N

(n) the need to increase the supply of accessible and adaptable housing, and housing that is culturally appropriate

In recent years, housing demand has outstripped supply. The stock of low-rent private rental has been in particular short supply, and a significant proportion of that stock has been occupied by households with higher incomes, reflecting the increased competition for available stock (Wulff et al. 2011).

With increased competition for existing supply—especially within the private rental market—particular groups can miss out, especially those that have needs for housing that is adaptable and accessible for people with disabilities, or culturally appropriate to their requirements (such as for Indigenous people).

People with disabilities

AHURI research (Tually et al. 2011) finds that housing assistance has a very substantial impact on the social inclusion of persons with a disability in Australia. Amongst other things, housing assistance: provides stability for those who may otherwise have no sense of control over their lives; improves resilience and independence especially in relation to health, family relationships and monetary concerns; reduces exposure to very-high housing costs and the risk of eviction; and makes it more likely they will gain and retain paid employment.

Governments can improve social inclusion for persons with a disability by providing more social housing and targeting it to this vulnerable group but also avoiding concentrating persons with a disability in particular neighbourhoods. There is a need to ensure housing is appropriate to the needs of the person with a disability and their household through modifications and providing on-going maintenance. Locating accommodation in places with good access to public transport is important in order to facilitate access to both services and employment. Private rental support programs such as that offered by Karingal in Geelong, are of particular benefit to those with disabilities.

Indigenous people

Approaches to increasing supply of accessible and adaptable housing for Indigenous people variously involves aspects of design (in remote areas), tenure (including home ownership opportunities and efforts to improve security of tenure), and improving cultural relevance of social housing.

AHURI researchers (Fien and Charlesworth 2008) argue for a new approach to design of Indigenous housing that is more flexible and appropriate for the needs of aboriginal people in remote areas. general principles that integrate the need for community safety and health, economic development and co-efficiency with specific recommendations for the design of and modification of Indigenous housing that reflects the housing aspirations and needs of its householders.

AHURI research has explored the opportunities of home ownership for Indigenous people on communal title land, and around a quarter were found to be capable of achieving home ownership, but home ownership was attractive less for financial goals but because it allows people to hand on the property to relatives (Memmott et al. 2009).

Reliance on social housing services among Indigenous households is high and increasing with three in ten Indigenous households living in social housing (Milligan et al. 2013). The vast majority of social housing services to Indigenous clients are provided by state housing authorities, supplemented by a small contribution from specialist Indigenous-run housing organisations and community housing providers. However mainstream service delivery often comes into conflict with Indigenous cultural norms and lifestyles. Milligan explores the opportunities of adopting an intercultural approach to the provision of social housing for Indigenous people living in urban areas which maximises opportunities to strengthen partnerships, involve Indigenous people as staff in service provision and to work with Indigenous organisations.

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