

EXECUTIVE SUMMARY

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Inquiry into housing policies and practices for precariously housed older Australians



From the AHURI Inquiry: Inquiry into housing policies and practices for precariously housed older Australians

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Related reports and documents

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James, A., Crowe, A., Tually, S., Faulkner, D., Sharam, A., Cebulla, A., Hodgson, H., Webb, E., Coram, V., Singh, R., Barrie, H. and Bevin, K. (2022) *Housing aspirations of precariously housed older Australians*, AHURI Final Report No. 390, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/research/final-reports/390>, doi: 10.18408/ahuri8125301.

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Executive summary

Key points

- A lack of policy reform and action has resulted in increasing numbers of older people facing their later years living in precarious housing situations.
- Australia's housing market for older people has long been characterised by significant continuity and limited change.
- The average low-income renter aged 50+ years in Australia is most likely to be female, be in the 'young old' age cohort (aged 50–64 years), have a low level of education (high school only), not be in the labour force, live alone and have a higher need for assistance with activities for daily living than the average older Australian.
- Geographically, there is considerable variation across state and territory jurisdictions in the location and subsequent growth of lower income rental households.
- Older lower income tenants are more likely to experience a mismatch between their current residence and/or location and expressed needs and aspirations.
- Lower income older renters are more open to alternative housing options outside the dominant tenures of home ownership, private rental and social housing.
- Seven composite alternative housing models were developed and tested with lower income households. There was a preference for a shared equity home ownership model, a cooperative housing model and a transportable model.

- **A number of new small-scale models of alternative housing provision have emerged, but provision at scale seems unlikely for the foreseeable future.**
- **A number of constraints inhibit the supply of innovative forms of housing for lower income older households. These constraints relate specifically to lending practices, costs of development, planning regulations and land supply.**
- **Older Australians in precarious housing do not always have a complete understanding of the housing options or services available to support their decision-making.**

Key findings

There is growing instability in the housing circumstances of the older population, witnessed through increasing housing precariousness and homelessness, which is the result of declining rates of home ownership, carriage of mortgage debt into retirement, restricted access to social housing and a decline over time in investment in alternative affordable housing options.

The older people at risk of housing precarity are a subset of the older population. Analysis of census data indicates that, at the moment, they are the 'young old', likely to be female with little if any attachment to the workforce (and, therefore, no means of acquiring wealth), living alone and likely to need assistance. Older people in need are spread across metropolitan, urban and regional communities and are expected to grow in number over the next decade or so. The group is not highly mobile, making the targeting of assistance to support alternative housing arrangements arguably easier, more efficient and effective than for other groups within the housing system.

From our survey research and testing of composite alternative housing models, lower income older people's housing aspirations are reflective of the aspirations of older Australians more generally (regardless of income and wealth) and are consistent with people's life experiences. As the housing market has tightened in terms of cost and availability, however, there is a clear mismatch between what older people desire and what is possible for them to access and sustain. Older people desire home ownership and the security and independence that it provides. Beyond tenure, and reflecting the nature of the built form in Australia, older tenants have a preference for detached housing with two or three bedrooms. Despite this, research indicates that lower income renters, especially as the housing market tightens, are interested in, and more open to alternative housing options. Yet, there is both a lack of alternative housing options and a lack of knowledge about those that exist, their conditions and risks. These factors serve as a significant barrier to the uptake of alternative housing options in Australia.

The development of alternative housing options for lower income older households is in its infancy in Australia. While a number of small-scale models of alternative housing provision have emerged, provision at scale seems unlikely for the foreseeable future. A wide array of barriers or obstacles across financing, taxes and charges, regulation and planning spheres currently exist. At the same time, changes are occurring in what has previously served as, or been seen as, the 'alternative' housing market for older people, reducing the number of homes that were traditionally available to lower income older households.

A policy environment that recognises the central role of housing as a public good with flow-on effects for people's health, wellbeing and social inclusion is important in envisioning the types of housing options suitable and desired by older people in an affordable housing market. We need a clear and consistent vision and cooperation across sectors, driven by a coherent national housing policy.

Policy development options

The findings of this Inquiry, and the policy options offered here, are being presented at a time when widespread community concern about housing affordability has highlighted the need for reform in housing and interconnected policy areas. And, for older people, time is of the essence in these calls for reform. Older people's more limited lifespan and lack of avenues to accumulate wealth means their need for appropriate housing is immediate, with limited time to wait for the potential development of large-scale private alternative housing options. Good quality, well-connected, government-funded, social housing remains the most efficient means of providing affordable, secure housing, but, at the same time, governments need to facilitate greater involvement and support of non-government sector provision.

The policy development options identified in this study range across a number of areas including development in regional and metropolitan areas, planning, taxes and charges, regulation, subsidies, and an information and support gateway.

Regional areas are a key source of affordable land and a part of the country where there will be considerable growth in older households in need. There are a range of possible policy options to assist with development in regional areas:

- rezoning of greenfield development, including a requirement for a proportion of social and affordable housing (inclusionary zoning)
- delaying the increase in land taxes and council rates until development is complete
- councils investing in land as patient (long-term) capital to support the development of Land Lease and retirement villages providing social or affordable seniors housing; councils granting land that is surplus to requirements or land purchased for the specific purposes of affordable housing supply to Land Lease developments and retirement villages providing social or affordable seniors housing
- state and federal land provision and grant support to bolster the efforts of not-for-profit (NFP) organisations, which often hold surplus land.

Growth opportunities in major cities are constrained by the limited number of sites available for intensification, but known opportunities exist for the recycling of existing state housing authority (SHA) assets, which could improve the options available. Moreover, institutional equity could underpin the redevelopment of public housing estates if a pool of renewal sites was created to provide the scale needed by institutional investors.

Planning flexibility is an essential structure to support alternative housing provision. Development scale is critical to achieving efficiencies in the provision of villages, Land Lease communities and caravan parks. In some instances, intensification provides an opportunity for the inclusion of affordable housing in well-located areas. A range of potential policy development options with regard to planning are evident from this study, including:

- increasing planning flexibility by involving an offset mechanism in cases where owners provide affordable seniors housing at some sites in exchange for greater flexibility at other sites
- considering how planning schemes could encourage more one-bedroom and smaller dwellings when subdivision occurs
- reducing car parking requirements so that more projects are financially viable
- improving the efficacy of the planning appeals process. Here state governments could introduce mandatory education for councillors to understand the role of the planning system. Separately, councillors need to know the responsibilities and opportunities local government has in relation to social and affordable housing.

Taxes and charges increase the cost of land and housing development and can be a disincentive to changes in use. A range of policy development options exist to improve opportunities and reduce barriers, such as:

- rental villages providing affordable rents could be relieved from land tax to reflect the constraint on passing through this cost to tenants and the advantage conferred by home ownership for the license to occupy model
- the basis of infrastructure charges could be reviewed with a view to encouraging smaller dwellings in general and to supporting affordable seniors housing
- more favourable charges for affordable seniors housing would reflect the lower consumption patterns typical of aged pensioners with smart contracts/blockchain utilised to reduce the administrative burden and reduce approval times
- under-utilised existing housing could be a significant source of affordable housing if space could be provided as lodgings.

On the last point, people are often discouraged from share housing arrangements as receipt of rental income triggers a requirement to pay capital gains tax (CGT). The Commonwealth could reconsider the application of CGT where both the home owner and tenant are in receipt of the age pension or benefits.

There are a number of areas of regulation where opportunities for change to better support the expansion of alternative housing market offerings exist. These policy options encompass housing design, living expenses (such as energy costs), residential tenancies legislation and responsible lending obligations. For example:

- The success of models such as co-living will be dependent on changing social attitudes and the quality of management. Given the potential to house large numbers of older people, the support of governments to establish good practice and an optimal regulatory regime is warranted.
- SHA rules regarding the minimum size of social housing apartments could be reviewed, as good design and shared spaces can alleviate many of the disadvantages of small floor plates and compensate for the lack of private space.
- Regulators need to find a solution to facilitate the benefits of embedded energy generation while protecting energy consumers.
- Responsible lending obligations have created a conservative lending environment. The circumstances in which age should be grounds for refusing a mortgage loan and assumptions about capacity to service loans need to be examined. Financial regulators could study the patterns of income and consumption of older people, as well as loan defaults and rent arrears, to understand the risk of lending to this age cohort and the ramifications of not servicing this cohort.
- Residential tenancies legislation could provide more flexibility for landlords to offer longer leases. Further, an option could be created for tenants in social housing, retirement villages and Land Lease communities to be provided with a lifetime lease in which tenants agree to meet specified conditions.

In terms of subsidies, Commonwealth Rent Assistance (CRA) needs to be reassessed. Most residents in Land Lease communities claim CRA assistance for their ground lease. CRA was not intended to support home owners, and this situation could be reviewed. Changes to eligibility and/or the asset test could be used to redirect subsidies to those in greater need, which could address the yield gap faced by rental-only communities providing affordable housing.

Finally, a comprehensive information and support gateway would help with navigating a complex housing market. A mechanism to bridge the gap between people's housing literacy and housing aspirations is needed and developing a centralised service or services – a trusted and appropriately resourced gateway or gateways – is a readily achievable target for governments that will have a clear and direct impact on the ground.

The study

The impact of stable, quality, affordable housing on older people's wellbeing cannot be understated, yet a lack of policy reform and action has resulted in increasing numbers of older people facing their later years living in precarious housing situations, including first time homelessness. While, for some, this change in older people's circumstances seems largely unanticipated, for others, the warning signs were evident two decades ago when it was clear that population ageing was driving changes in housing demand and that the reliance on market solutions was unlikely to provide appropriate and affordable housing for older Australians. As the size of the challenge has worsened, the housing security of lower income older Australians without home ownership has been identified as an area of notable housing and broader social policy concern.

This research is part of a wider Inquiry addressing the research question:

How can we deliver the types of housing precariously housed individuals in, or approaching, retirement want and need to support their life aspirations, wellbeing, participation and inclusion?

The Inquiry was designed as a set of three nested intersecting projects, each focused on particular aspects of the policy challenge:

- based on census data, understanding who the population of lower income older Australians are now and in the future (Barrie, Cebulla et al. 2023)
- through a desktop review of the literature, a short national online survey and interviews with housing industry stakeholders and international housing experts, determining the types of innovative and alternative housing options that exist in the market for older lower income households (Tually, Coram et al. 2022)
- via a national online survey and focus groups investigating the types of alternative housing options and housing attributes that could better meet the needs of the target group (James, Crowe et al. 2022).

The collective findings of the nested projects are summarised in this Inquiry Final Report, considered alongside additional research activity that has taken the findings of the research to supply-side players and to the expertise of Inquiry Panel members. Consultations were designed specifically to draw out the policy implications of the research to enable the provision of a more nuanced and appropriate alternative housing market for lower income older households.



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