HOMES FOR ALL

A Roadmap to Affordable Housing

JULY 2022

Anglicare Australia
in every Community

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Anglicare Australia is a network of independent local, state, national and international organisations that are linked to the Anglican Church and are joined by values of service, innovation, leadership and the Christian faith that every individual has intrinsic value. Our services are delivered in partnership with people, the communities in which they live, and other like-minded organisations in those areas. With a combined income of over $1.94 billion, a workforce of over 11,000 staff and 6,000 volunteers, the Network delivers more than 50 service areas in the Australian community. Our services are delivered to over 474,00 people and reach close to 1.37 million Australians in total. In all, Anglicare services reach over 1 in every 19 Australians.

This and previous reports are available on the Anglicare Australia website:
www.anglicare.asn.au

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A roadmap to affordable housing

Everyone needs a home. A home where they can feel safe, a home that's secure, and a home they can afford. Yet more and more people are missing out on the dream of home. We now face a housing market that has never been less affordable or more volatile. Australians are spending record amounts on housing, and people in every age group are living in rental stress.

Anglicare Australia has been working on the frontline of this crisis. We have seen pensioners competing for rooms in sharehouses, people in full-time work on the brink of homelessness, and young people with disabilities stuck in aged care because they can't find a home. Our services tell us of families living in tents and cars, and in many cases, our own workers are struggling to find homes in their communities.

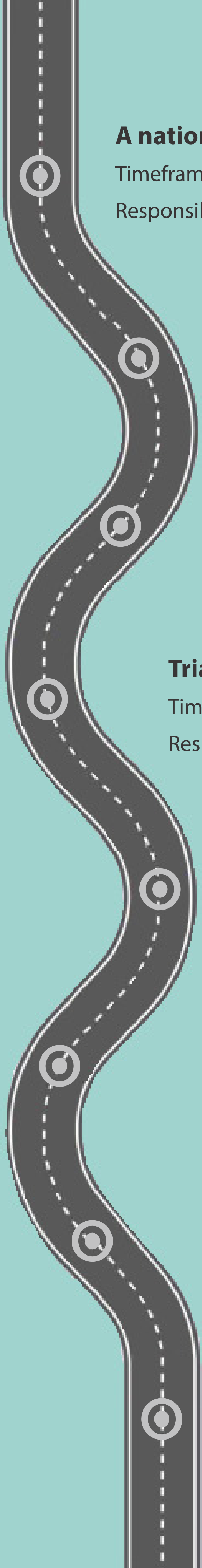
These experiences are borne out by hard statistics. Anglicare Australia has been tracking this crisis for each year with our annual Rental Affordability Snapshot, which has shown just how dire the crisis has become. After ten years of crashing affordability we asked why, when this crisis has been unfolding for years and decades, haven't we seen real action?

To say that housing in Australia is broken is an understatement. It is in meltdown, and we won't be able to truly fix it until we redesign our housing policies so that they work for everyone. Rather than simply reporting on the scale of the problem, this Roadmap offers solutions that match the scale of the crisis.

Homes for All offers proposals to make renting more secure and more affordable. We call for major reform of our tax and policy settings. And most importantly, we outline strategies to end the undersupply of affordable housing. If we don't end this shortfall, we don't stand a chance of protecting people on the lowest incomes from homelessness.

With homes on the line, the stakes for our housing system couldn't be higher. Australia cannot afford more lost opportunities to tackle this crisis.

Our hope is that finally, Australia has reached a tipping point that spurs real change.



A national plan to sustainably fund and maintain social housing

Timeframe: Immediate

Responsibility: Federal Government

Reform and raise Commonwealth Rent Assistance

Timeframe: Immediate

Responsibility: Federal Government

Nationally consistent protections for renters

Timeframe: Short to medium-term

Responsibility: Federal, State, and Territory Governments

Trial secure leasing models for mainstream tenancies

Timeframe: Short to medium-term

Responsibility: Federal, State, and Territory Governments

Incentives to maintain and invest in social housing

Timeframe: Medium-term

Responsibility: Federal, State, and Territory Governments

Requirements for new developments to include affordable housing

Timeframe: Medium-term

Responsibility: State, Territory, and Local Governments

A ten-year regime of tax and policy reform

Timeframe: Medium to long-term

Responsibility: Federal Government

A twenty-year program to expand social and affordable housing

Timeframe: Long-term

Responsibility: Federal Government

The roadmap: recommended actions

Anglicare Australia proposes phasing in **a regime of tax reform**. These reforms would be phased in over ten-years, but commencing them is a first step to financing the remaining aspects of the Roadmap. These tax reforms should be accompanied by **a reset of policy settings** which provide inequitable benefits to those with existing wealth and assets.

As part of these reforms, the capital gains tax discount would be incrementally reduced over the next ten years. This incremental approach would guard against concerns about the impact of the reform on housing markets.

Negative gearing should be used target investment in social and affordable housing. The current negative gearing arrangements should be phased out for new investors.

The revenue savings from these reforms would be used for **a plan to sustainably fund and maintain social housing**. In addition to the tax and policy reforms we propose, this plan could include tax credits and measures to better leverage private investment through the National Housing Finance and Investment Corporation.

Anglicare Australia proposes **a program to expand social and affordable housing** at a rate of at least 25,000 homes each year, working up to a target of 500,000 new homes. The program would begin immeditately, and expand over twenty years. The program includes:

- 300,000 new social housing properties, including dedicated Aboriginal housing, and
- 200,000 low-cost rental properties for low- and middle-income earners.

Additionally, Commonwealth **incentives to State and Territory Governments should be reoriented** away from asset sales and towards asset maintenance and capital investment.

State, Territory and Local Governments should also introduce incentives and requirements for **new developments to include affordable and low-cost housing**. Levers such as concessions and rate caps can also be leveraged to promote the supply of affordable and low-cost housing.

Anglicare Australia calls on all levels of Government to work together to create **nationally consistent protections for renters** by harmonising tenancy legislation. The aim of these changes would be to protect the rights of all renters by **ending no cause evictions and unfair rent increases**.

We also call for a trial of **secure leasing models for mainstream tenancies**. We would work with any jurisdiction willing to enact such a trial, which could eventually represent a new model for Australia's private rental market over the long-term.

Anglicare Australia calls for **reform of Commonwealth Rent Assistance** to help those in rental stress, and an increase to the payment. The payment should also be indexed to rental prices, rather than general inflation, to ensure support for renters keeps up with the cost of rent.

PART I

A system in crisis: a ten-year snapshot

Across Australia, people on low incomes are being left behind and forgotten in the housing market. The affordability crisis is often called a crash, but that crash has occurred in slow-motion. Australians have been watching it unfold for years. No corner of Australia has been spared the impacts. Demand for social and affordable housing in Aboriginal and Torres Strait Islander communities has surged as the effects of overcrowding worsen. Affordability has completely collapsed in regional areas, ending the myth that country areas offer an affordable reprieve from the city. When people flocked to regional areas during the recent pandemic lockdowns, the homes they left behind in urban areas were far too expensive for people on low and even middle incomes.

Anglicare Australia has been tracking these trends through our Rental Affordability Snapshot since 2010, analysing tens of thousands of rental listings each year. We do this by taking a snapshot of the thousands of properties listed for rent on realestate.com.au on one weekend in March or April. Those households are:

- Single people receiving the Disability Support Pension, Youth Allowance, JobSeeker and the Age Pension, or earning a minimum wage
- Single parents receiving the Parenting Payment or earning the minimum wage
- Couples without children on the Aged Pension, and
- Couples with children on JobSeeker, Parenting Payment, earning the minimum wage, or a combination of these income sources.

We then assess whether each property is affordable and suitable for different types of households on low incomes. Far from being surprised by the deterioration in affordability, the results show that our crisis was both predicted and predictable. A comparison of the results over the past ten years is at Table 1.

Table 1. Affordable and suitable rentals 2012-2022, by household type

Household Type	Payment Type	Affordable and Appropriate 2012	Affordable and Appropriate 2022	Change
Couple, two children (one aged less than 5, one aged less than 10)	JobSeeker Payment/ Newstart Allowance	0.7%	0.2%	-0.5%
Single, two children (one aged less than 5, one aged less than 10)	Parenting Payment Single	0.2%	0.0%	-0.2%
Couple, no children	Age Pension	2.6%	1.4%	-1.2%
Single, one child (aged less than 5)	Parenting Payment Single	0.3%	0.1%	-0.2%
Single, one child (aged over 8)	JobSeeker Payment/ Newstart Allowance	0.0%	0.0%	0%
Single	Age Pension	0.8%	0.7%	-0.1%
Single aged over 21	Disability Support Pension	0.8%	0.1%	-0.7%
Single	JobSeeker Payment	0.0%	0.0%	0.0%
Single aged over 18	Youth Allowance	0.0%	0.0%	0.0%
Single in share house	Youth Allowance	0.0%	0.0%	0.0%
Couple, two children (one aged less than 5, one aged less than 10)	Minimum Wage + FTB A (both adults)	30.8%	15.3%	-15.5%
Single, two children (one aged less than 5, one aged less than 10)	Minimum Wage + FTB A & B	3.5%	0.7%	-2.8%
Single	Minimum Wage	2.6%	1.6%	-1.0%
Couple, two children (one aged less than 5, one aged less than 10)	Minimum Wage + Parenting payment (partnered) + FTB A & B	N/A	3.7%	N/A

A crisis for people on the lowest incomes

For some households, this ten-year analysis shows a dramatic collapse in affordability. Others have been consistently navigating a grim market. People on income support, especially those who are out of work, have always faced dire odds. We found that that 0 percent of rentals were affordable for a person on the JobSeeker payment throughout the entire decade. This includes listings for sharehouses, and factors in the highest rate of Commonwealth Rent Assistance.

Families out of work have faced a similarly bleak situation. An out-of-work couple with two children has not been able to afford more than 0.7 percent of rentals at any time in the past ten years. Single parents out of work face even tougher odds, with affordability stuck at 0 percent over the decade. This helps explain why the rate of JobSeeker is such a critical factor in child poverty – one in six children now lives in poverty, with those growing up in households that depend on JobSeeker at much greater risk.

The analysis shows how brutal the rental market is for young people. Affordability for a person on Youth Allowance looking for a sharehouse has been stubbornly stuck at 0 percent. Youth Allowance is the lowest of all government payments, and year after year, we have found that young people are at the bottom of the affordability ladder.

People with disabilities face unique challenges in this market. Some will find that advertised rentals don't meet their needs, and for many people, the Disability Support Pension is too low to allow them to rent a home that does. A person on the Disability Support Pension is able to afford just 0.1 percent of rentals, down from the already abysmal 0.8 percent in 2012.

The most generous of government payments is the Age Pension. Yet for a couple living on the Age Pension, only 2.6 percent of rentals were affordable in 2012. That number declined to 1.4 over the ten years we analysed. Single retirees have it even worse, with 0.7 percent of listings left to compete for.

The most drastic changes to affordability have affected working people, especially families. Of all of the households featured in this analysis, families with two parents in full-time work stand the best chance of finding an affordable home. Even they will find that they are locked out of all but 15.3 percent of rentals we surveyed. This has crashed dramatically, halving from 30.8 percent in 2012.

Of course, this analysis doesn't tell the whole story. Although we look at the full-time minimum wage, we know that more and more people are working casually. Their plight is likely to be much worse than this analysis shows. Nor can it fully consider the competition for each of these properties. In an overheated market, an affordable property can attract many applications from people in much higher income brackets.

What these figures show is that finding an affordable home in the private rental market is complete fiction for people on low incomes. Looking back over the findings from the last decade of Snapshots, the message is clear: the private rental market has failed to provide affordable housing for Australians on low incomes. Without action, there is no reason to think that this will change.

Declining affordability is driving homelessness

The implications of these results are extreme. The number of people experiencing homelessness is growing every year because of the shortage of affordable housing. Rates of homelessness are a direct consequence of declining access to affordable housing, growing poverty, and persistently high levels of domestic and family violence. On any given night more than 116,000 people are homeless across Australia.[1]

In spite of this link, a narrative has persisted that homelessness is the result of other factors, particularly 'social problems.' Anglicare Australia disputes this in the strongest possible terms as a narrative fuelled by decision-makers who will not confront the implications of their own inaction on affordability. Our member agencies regularly report that families and couples with two incomes have turned to sleeping in cars because they simply cannot afford rent. Older people, especially women, are becoming homeless in growing numbers after being priced out of the rental market later in life. In fire and flood affected communities, shortages of affordable homes have pushed people into sleeping in tents as long-term accommodation.

Of course, Anglicare Australia Network members work with people facing major life challenges and complications. Yet even in these cases, it is deceptive to assign these challenges as the cause of homelessness. Without a stable home, people in these situations will not be able to overcome other life challenges, such as seeking treatment for a mental illness or escaping family violence. The cause of their homelessness is the failure of the Government to provide a stable home for its citizens.

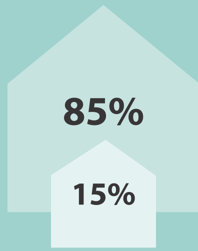
The main driver of homelessness has been the lack of affordable homes. Until decision-makers confront this reality, they will never tackle the problem of homelessness.

Figure 1. Ten year snapshot of rental affordability

Unaffordable Affordable

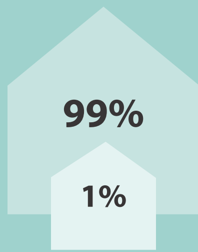
Family of four on the minimum wage

15.3% of rentals are affordable for a family of four with two parents on the minimum wage. Affordability has halved for this household type.



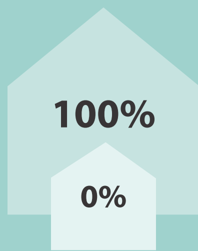
Single parent on the minimum wage

0.7% of rentals are affordable for a single parent on the minimum wage. Affordability has declined by over 300% for this household type.



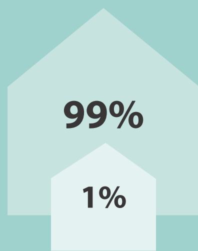
Single person on the JobSeeker payment

0% of rentals were affordable and suitable for a person looking for work on the JobSeeker payment. Affordability has been stuck at 0%.



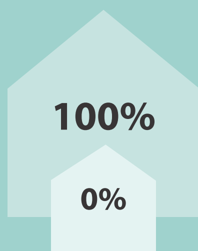
Retirees on the Age Pension

1.4% of rentals are affordable for a retired couple on the Age Pension. Affordability has nearly halved for this household type.



Single person on the Disability Support Pension

0.1% of rentals were affordable and suitable for a person looking for work on the JobSeeker payment. Affordability has declined by 700%.



Taking action on the problems and solutions

It has taken governments decades to create the housing affordability crisis. Ending it will take time, and a willingness to put the interests of Australians who need a home ahead of the interests of investors. Band-aid solutions and easy options will not tackle the problem. In most cases, they will likely make it worse.

The remainder of this paper will present these problems and propose solutions that put people at the centre of housing. They also place the onus on Australia's Government to reclaim responsibility for ensuring its citizens can have a home.

PART II

Funding for homes, not investments

Housing funding in Australia is broken. Our systems, policies, and incentives are geared towards the interests of investors, and not towards providing stable and affordable homes. The clearest example of this is in our tax settings, which have been getting more attention in recent years.

Australia's tax treatment of housing subsidises property investors at the expense of people trying to buy a home. These tax breaks fuel speculative investment, causing house prices to rise much faster than incomes.

It is now well known that these tax and policy settings have locked a generation of Australians out of the housing market. What is less well understood is that this has meant that the cost to the budget is largely spent on measures that make affordability worse. At the same time, many billions of dollars in revenue have been starved from directly supplying social and affordable housing.

The Federal Government needs to reset housing taxation to deliver fairer outcomes by reducing negative gearing and capital gains tax exemptions, and use the revenue raised to encourage investment in social and affordable rental housing.

The problem

House prices in Australia have been rising much faster than incomes for decades. This is largely part fuelled by tax concessions for property ownership that encourage speculative investment, and disadvantage first homebuyers. In addition to squeezing first home buyers out of the market, these tax concessions also cost over $88 billion annually,[2] resources that would be much better spent directly delivering more affordable rental housing.

Four key policy settings have fuelled demand and driven up prices. First, owner-occupied homes are exempt from capital gains tax (CGT) and there is no tax on the wealth in a home that a person lives in. These concessions are estimated to be worth around $83 billion a year.[3]

Second, most of the value of the main residence is excluded from the Age Pension assets test. This benefit is worth at least $7 billion a year to home-owning pensioners. The pension assets test heavily favours owner-occupiers. Many households with significant housing wealth receive a full-rate Age Pension, while many pensioners who do not own their homes get much less pension despite having less assets overall.

Third, owner-occupied housing is exempt from state land taxes. As a result, about 75 percent of residential land by value attracts no land tax, and state government budgets forgo about $7 billion a year in revenue.[4]

Fourth, Federal and State governments have provided financial assistance to first home buyers in various forms for decades. Government assistance has mainly pushed up purchase prices for first home buyers rather than making the first purchases of a home more affordable. By driving up demand and encouraging more people to compete for housing, grants to first home buyers have driven up the cost of housing. This approach has also been expensive. It is estimated that governments spent $22.5 billion on grants to first home buyers between 1964 and 2011.

Tax settings encourage people to invest in housing

Changes to capital gains tax in 1999 encouraged investors to buy property, increasing investor demand for housing and pushing some first home buyers out of the market. In 1999, the CGT system was changed so that tax was levied on only 50 percent of the capital gain on an asset held for more than one year.

The CGT discount, together with negative gearing, turbocharged speculative investment in housing and led to dramatic price increases for the next decade and a half. With capital gains taxed less than income, investors have preferred investments with strong capital returns.

The relatively light taxation of capital gains increased the incentives for investors to negatively gear property. Investors can borrow to invest and deduct the interest costs against other income at their marginal rate. The capital gains are then only taxed at half their marginal rate. Negative gearing costs the Australian Government over $4 billion per year in foregone revenue.

Tax incentives encouraging housing investors may also explain why the prices of low-value homes have increased faster than other homes. Increased investor demand for housing has likely been channelled into low-value homes that are lightly taxed under states' progressive land taxes and tax-free thresholds.

The Solution

Anglicare Australia proposes that the capital gains tax discount be incrementally reduced over the next ten years. This incremental approach will mitigate negative price impacts on housing markets.

Additionally, by negatively gearing, investors can also deduct the costs of investing in property, such as interest, rates and maintenance, from their wage income offsetting rental losses. This strategy is particularly attractive for high-income earners.

In addition to the house price pressures affecting first-home buyers, these tax concessions also create a focus on profit from sales rather than income from renting and encourage speculative investment. As a result, both purchasers and renters are affected.

This unfairness is worsened by the fact that negative gearing benefits are heavily skewed to wealthy households. Anglicare Australia's report, *The Cost of Privilege*, showed that negative gearing and capital gains tax concessions cost the federal budget a staggering $88 billion per year, and overwhelmingly favour people on the highest incomes:

> "...Half of the foregone revenue from negative gearing goes to the top 20 percent, while just 6.2 percent goes to the bottom quintile. Similarly, more than 80 percent of the savings from the capital gains tax concession go to the wealthiest quintile, and just two percent to the bottom 20 percent." [5]

Reinvesting in affordable rental and social housing

The revenue savings from these changes should be invested in measures that directly improve rental affordability, including a more effective incentive for new investment in homes for rent.

This could include a tax subsidy or concession targeted at investments in new rental dwellings, up to a maximum cost to exclude luxury dwellings, that are rented at a discount to market of at least 75 percent of market rent for a guaranteed minimum period of at least 15 years. A similar scheme exists in the ACT, which incentivises the use of existing properties as affordable rentals by exempting them from land tax. The advantage of such schemes is that they utilise existing housing stock, however they are no substitute for adequate and enduring government investment in affordable rental housing.

Reforms should be balanced to ease the burden for first time home purchasers, without prejudicing small scale investors. This may include 'grandfathering' and designing scalable deductions that truly reflect the financial standing of investors.

With the federal government currently investing just $1.7 billion per year in public and social housing, these reforms would provide billions of dollars in new funds for homes for people on low incomes who are struggling to survive in the private rental market or are homeless.

Adopting this approach can reduce house price inflation, encourage investment in new build to add to housing supply, and reduce price pressure in the rental market.

Recommended actions

Anglicare Australia proposes phasing in a regime of tax reform.

As part of these reforms, the capital gains tax discount would be incrementally reduced over the next ten years. This incremental approach would guard against concerns about the impact of the reform on housing markets.

Negative gearing should be used target investment in social and affordable housing. The current negative gearing arrangements should be phased out for new investors.

These tax reforms should be accompanied by a reset of policy settings which provide inequitable benefits to those with existing wealth and assets. There are several options for review and reform which could raise revenue and promote equality. For example incentives to downsize, introduced in the 2017 Federal Budget, could be abolished. In practice these simply deliver a tax break for high income earners with high marginal tax rates earning income from property sales.

The revenue savings from these reforms would be used to invest in affordable housing.

Boosting supply where it counts

Housing supply is perhaps the most prominent answer to housing affordability. It is the favoured solution of the development industry, property commentators, and many Federal Government representatives. In this telling, the problem is State and Local Government regulation rather than Federal Government inaction, and the solution is to create more opportunities and flexibility for developers.

Yet the reality is that Australia has an oversupply of dwellings compared to its needs and demographics.[6] The undersupply is not in housing, but in *affordable* housing.

Competition for affordable rental homes is so fierce that thousands of Australians are missing out every week. This scarcity is driving homelessness, rental bidding, and overcrowding. Governments can relieve this pressure with a program to deliver more low-cost rental housing. More low-cost properties would mean more choices for all renters, making it cheaper and easier to find a home.

The problem

Social housing is for people who are on very low incomes who need a home. This includes people who have recently experienced homelessness, family violence, have a disability, or simply can't get a home in the private rental market. Sometimes it's public housing that's managed by government, and sometimes it's managed by community organisations.

Across Australia hundreds of thousands of Australians are on waiting lists for social housing, with an average waiting time of more than ten years in some states. Around half of those on waiting lists are already homeless. The shortfall in social housing is projected to surge in the coming years as the population grows and ages.

This undersupply is placing pressure on the rental market, with rents rising as home ownership rates fall. This has increased competition for rental properties. Australian households are spending a growing proportion of their incomes on rent. Lower income households, including those receiving Centrelink payments and many low- and middle-income workers, are struggling to find housing that they can afford.

Government has walked away from social housing

Governments in Australia used to strongly invest in social housing to meet need. It was valued as a public asset for reducing poverty and inequality. Yet in recent years governments have withdrawn from this responsibility. Social housing stock has simply not kept pace with the growth in population,[7] with demand now far outweighing supply.

Governments have also been transferring housing stock to community organisation management, with 23 percent of social housing now managed by mainstream or Indigenous community housing.[8] However this does not change the lack of supply. It simply outsources the issues onto non-government organisations.

In walking away from social housing, governments have assumed that the private rental market would provide enough affordable housing for those who need it. That has been shown to be false. Analysis by the Australian Housing and Urban Research Institute shows that governments' greater reliance on 'demand-side assistance,' such as rent assistance, has not made renting more affordable. Instead, the shortage of affordable rentals for low-income households grew between 1996 and 2011, contradicting the theory that housing would 'filter' into low-rent accommodation over time.[9]

The solutions

Given the abject failure of the private market to provide affordable housing, it is past time for governments to invest in the development of social housing. This is the only way that every Australian can have a safe and secure place to call home.

A recent analysis has estimated the additional social and affordable housing required to meet the present need and the projected population growth running up to 2026. The analysis focused on people who are waiting for social housing as well as those on low and moderate incomes paying more than 30 percent of their income in rent in the private market.

The data shows Australia will need an additional 500,000 social and affordable homes to meet these needs. These homes can either be built, or purchased from existing housing stock. This includes 300,000 new social housing properties and 200,000 low-cost rental properties. Anglicare Australia is calling for an ongoing investment program to deliver these homes. Governments must again take up their responsibility to ensure affordable homes for every Australian.

The design of this new social housing must reflect changing population needs and demographics. It is vital to work with future tenants to develop modern social and community housing that reflects the needs of those who will live there. Governments must embrace their responsibility for the design of public infrastructure that supports healthy communities. This includes the development of a diverse social housing stock with accessibility to services.[10]

Investing in social and affordable housing saves money

Social and affordable housing programs aren't just about bricks and mortar, or dry economic outcomes. Investment in affordable housing is an investment in social infrastructure. Its benefits include:

- Helping to end homelessness
- Helping people recover from mental ill health
- Alleviating overcrowding and improving family functioning, and
- Providing safe and secure homes for people escaping and domestic and family violence.

Analysis from Swinburne University in Melbourne estimates that the current cost of the foregone wider social and economic benefits resulting from Australia's chronic undersupply of social and affordable rental housing is $676.5 million per year, rising to nearly $1.3 billion a year in 2036 if the situation continues to deteriorate at the same rate.[11]

Research shows that the benefit-to-cost ratio of investing in social and affordable housing in metropolitan areas close to work and study opportunities is 4.80.[12] This is the ratio of economic benefit to economic cost of a proposed initiative. In other words, for every dollar invested in well located social and affordable housing, there is an economic return of $4.80. This applies over a 40-year period.

The productivity impacts measured by this research include travel time savings, better employment outcomes, and saving capacity for households who are no longer in housing stress.

Investing in social and affordable housing is smart economic policy. Associate Professor Christian Nygaard reviewed a wide range of previous studies that examined the economic savings made in different social areas when appropriate and affordable housing and associated support was available. These areas include savings to the health budget, and reduced spending on emergency accommodation. Associate Professor Nygaard also looked at research that had estimated productivity advantages across a raft of areas, and put a dollar figure on these. These include savings in rent that are passed on to tenants, improved school completion rates, and productivity gains.

As part of this work, Associate Professor Nygaard investigated the value-for-money of alternatives to constructing additional social and affordable housing, including increasing the rate of private sector dwelling construction. He found that these other options are poorly targeted alternatives to investing in social and affordable housing.[13]

The right funding mechanism can maximise outcomes

Building social and affordable housing costs money. Just to maintain the current share of social housing as a proportion of Australia's housing stock will require construction of 15,000 new social housing properties a year.[14] Our current rate of new social housing construction is about 3,000 dwellings a year.[15]

The new Federal Government has proposed to put $10 billion into the Future Fund. It is envisaged that the earnings from this fund would create an 'off budget' and ongoing funding source for new housing. It is estimated that this would deliver 20,000 social housing dwellings and 10,000 affordable housing dwellings in the first five years. This is a welcome first step, but will not come close to meeting the social housing shortfall.

To address the shortfall, greater investment is required. SGS Economics has modelled the economic impact of an ongoing program of investment of 25,000 new social housing properties a year. They estimate that this would require an investment of $12.4 billion a year, and create over 15,000 ongoing construction jobs right around Australia.[16]

In its most recent assessment of Australia's future infrastructure needs, Infrastructure Australia included social and affordable housing for the first time, recognising both the crucial role that it plays as social infrastructure as well as the extreme pressure that Australia's social housing systems are under.[17]

To help support Infrastructure Australia's business case, a cost benefit analysis of a construction program of 50,000 social housing dwellings across Sydney and Canberra was prepared for the

Community Housing Industry Association. The calculations were based on a funding mechanism that would use tax credits to leverage private sector equity.[18] Under such a scenario, housing providers would seek as much investment as possible for a project before applying for tax credits. The tax credits could then be sold to investors to provide up-front equity for the project. The tax credits would be paid out annually by the Government, and could be used to offset, dollar for dollar, the tax liabilities of investors. The business case for doing so would be that the upfront cost of the credits would be less than the final value of the tax credits.

This modelling found that the benefits of such a program would accrue to low-income households and the public sector in the form of cost offsets, improved household disposable income, and improved societal wellbeing. Under this model, all debts would be settled after 22 years, with 43,000 dwellings retained as ongoing social housing assets. The benefit to cost ratio of this proposal is calculated at 1.22, but the overall benefit when the asset value is taken into account is closer to three times.[19]

A tax credit is just one option to help fund social housing options. Broader tax reforms, canvassed in greater detail the previous chapter, have the potential to provide a more sustainable funding base for social housing.

The role of State and Local Government

Planning regulations are regularly cited by developers and property industry commentators as a cause of expensive housing. Yet the focus on State and Local Government planning policy greatly overestimates its influence on the actual dwellings built.

When politicians, industry, and economists talk about supply, they are usually talking about potential supply. They are rarely calling on governments build social or affordable housing. They instead focus on changing the planning rules around development to permit more potential supply, if the private sector finds it profitable.

Contrary to popular perception, research shows that planning authorities have gone to great lengths to ensure there is enough zoned capacity to cater for projected growth.[20] Yet there has been no rush to take up the increase in capacity. Developers instead hold off until prices are right. The vast majority of sites in a recent study (94 percent) were not developed within five years of the zoning changes. 71 percent still remained unexploited twenty years after it became available for development.[21]

The research suggests that planning regulations permit development, but it is the market price that determines if and where development occurs. Higher sales prices make development more desirable. Developers select their sites, build, and sell in strong markets and wait or avoid selling when markets are weak. It is the locations with the highest initial property prices that are the most likely to be developed. This fuels the market and makes housing less affordable, not more affordable.

For the most part, the debate on planning and zoning has been a distraction. The most powerful role that State and Local Governments can play is in the funding, building, and support of social and affordable homes, where the real shortfall lies. State and Territory Governments are on the frontline of operating this system, and they must be accountable for maintaining its integrity. Instead, State governments have been contributing to the affordability crisis by tightening eligibility for social housing so that only people in the most desperate situations can get help. This means that many Australians can no longer find affordable housing, and the social housing system no longer works in a sustainable way. Without the funding from rents of tenants with higher incomes, there is not enough income to maintain public housing stock. Rather than prioritise funding for the system in their budgets, State governments have resorted to selling off more properties to cover maintenance costs. This has created a situation where hundreds of thousands of Australians on low incomes are unable to find affordable housing. It also means that the social housing stock is dwindling and poorly maintained.[22]

The scale of work required to maintain the current shortfall, much less reduce it, will never be met by adjusting eligibility criteria, or by selling housing through asset recycling. The only real answer to the shortfall is for Federal and State Governments to work together to prioritise spending on social and affordable housing. Federal Government incentives should be directed away from unhelpful band-aid solutions and towards a long-term, properly funded capital investment program in social housing in conjunction with their State and Territory counterparts.

Planning regulations can still play an important, albeit limited role in promoting affordability. Moves to encourage medium density development and infill should continue. Local Governments can require that a portion of new developments include allocations for affordable and low-cost housing. Levers such as concessions and rate caps can also be leveraged to promote the supply of affordable and low-cost housing.

Recommended actions

Anglicare Australia proposes a program to expand social and affordable housing at a rate of at least 25,000 homes each year, working up to a target of 500,000 new homes. This includes:

- » 300,000 new social housing properties, including Aboriginal housing, and
- » 200,000 low-cost rental properties for low- and middle-income earners.

This should be accompanied by a plan to sustainably fund and maintain social housing. In addition to the tax and policy reforms proposed in the previous chapter, this could include tax credits and measures to better leverage private investment through the National Housing Finance and Investment Corporation.

Additionally, Commonwealth funding to State and Territory Governments should ensure a focus on asset maintenance and new capital investment.

State, Territory and Local Governments should also introduce incentives and requirements for new developments to include affordable and low-cost housing. Levers such as concessions and rate caps can also be leveraged to promote the supply of affordable and low-cost housing.

PART IV

Putting renters at the centre of renting

Australia's rental market is not designed to provide to homes to people who need them. Instead, it is designed to generate wealth for investors.

This has led to fierce competition for rental properties that is forcing people into properties that don't meet basic standards. It also leaves people vulnerable to unscrupulous behaviour by landlords. Aboriginal people, in particular, often experience discrimination from landlords in the private rental market.

As more Australians are set to become lifelong renters, it is important that we ensure protections are in place to ensure everyone can obtain and maintain tenancies in the private rental market. Resetting the power dynamic in the market is critical to building a system that is stable, and affordable. Renters should be entitled to stronger protections, more security, and more choice.

The problem

The number of Australians renting is on the rise, with now almost as many Australians renting as there are people who own their property outright.

Data from the 2016 Australian Census reveals that almost a third of Australians are in private rental accommodation, an increase from the 2011 Census. This reflects a consistent trend of an increasing rental population with fewer Australians able to afford to own their home outright.

With such a large and growing pool of renters, the effects of the lack of affordable and stable housing are profound and long-lasting. Some are more immediately apparent and understood than others. For example, the structure of the age pension and the aged care system pre-suppose home ownership. The design of these systems may come under threat.

Perhaps the best understood are the immediate impacts of the financial stress caused by unaffordable rents. Because the rent is immutable and income is fixed, people and families cut spending on other basic needs and damage their own health and prospects in life to maintain shelter. Put simply, people go hungry, and turn to emergency food relief if they can; go without heating in winter and cooling in summer; can't afford essential transport, medical expenses or have to deny their kids involvement in school and recreational activities.

Anglicare Australia members across the country work with people from all walks of life living in several rental stress, or dealing with being locked out altogether due to unaffordability. Other impacts are less evident but just as serious. Anglicare Australia has case studies of young people forgoing education and employment opportunities because they can't find affordable accommodation where they would need to live to take them up; and of women seeking to escape family violence being unable to move away from the perpetrator.

Compounding financial stress is the tenuousness and narrowness of renter's rights in most of Australia. As Australia transitions from a nation of homeowners to a nation of renters, our laws are yet to offer the same level of protection enjoyed in other countries. In all states and territories except Tasmania, landlords are able to evict tenants on periodic leases without cause. The consequences of this can be extreme. Anglicare Australia member agencies have seen summary evictions lead to children being placed in foster care simply because the parents are unable to quickly secure affordable and appropriate accommodation when this happens. Families having to move, and uprooting children from their local schools, job changes and losses are also common and damaging consequences.

Poor maintenance and energy efficiency in many rental properties sees people on low incomes enduring living conditions that undermine their health, including poor heating and cooling, and the presence of mould and pests. Other tenancy restrictions can more subtly damage quality of life and wellbeing, particularly for those who are older or socially isolated. Not being permitted to have a pet, for example, denies many people vital companionship.

Australia lags far behind comparable countries in giving renters proper rights, including the option of longer leases, the right to have pets and reasonably alter a property to make it a home. It is essential that such rights are recognised and guaranteed no matter where you are in the country. Making renting fairer, more stable and more flexible is an essential part of ensuring every person in Australia has a home.

The solution

Anglicare Australia is calling on Australian all levels of Government to work together to enact the following reforms to enhance protections and standards in Australia's private rental markets, in addition to facilitating more tenant choice through increasing supply of social and affordable housing.

Strengthen rental laws and end unfair rent increases

Depending on which State or Territory they live in, renters are afforded very different levels and types of protections. In some states, renters can be evicted for no reason at all, are disempowered in disputes with landlords, and vulnerable to poor housing conditions that make people sick or send energy bills sky-high. People cannot create a home if they can be evicted with little notice and no cause, if they can't ask for repairs, and if they don't have the flexibility to deal with changing life circumstances.

There have been significant reforms in Victoria and the ACT, restricting "no cause evictions," limiting the amount and regularity of rental increases, and requiring rental properties to meet minimum standards. Queensland has also embarked on reform of its residential tenancies legislation.

Nationally consistent protections and uniform tenancy legislation is required now across Australia, to protect the rights of all renters, by ending "no cause" evictions and restricting unjustified or punitive rent increases.

Moving towards a model of secure, long-term leases

Head leasing is a model of leasing which offers landlords the opportunity to take out longer-term leases, for example for five years, with a guaranteed rental income and a commitment to return the property in good condition at the end of the lease. These programs are usually operated by a government department or not-for-profit organisation, who ensure that the property goes to someone in need.

Head leasing can be particularly helpful if a tenant requires modifications such as an entry ramp, non-slip treatment in wet areas, or grab rails, as these can be installed and used for a period of years before returning the property with these modifications removed and made good. For example, Anglicare Sydney supports older people in this situation by providing long term affordable rental accommodation in converted old sites, like pubs, stations, old bank buildings, empty land and guest houses. It provides secure life tenancies to people who are homeless or at risk of homelessness.

Anglicare Australia supports an expansion of these specialised programs. Yet restricting this model only to people who need supported tenancies or low-cost housing lacks imagination. All renters would benefit from this model of leasing. Long-term leases, stable rents, and a removal of the investor from day-to-day property management would truly allow renters to experience the benefits of a stable home. The security provided by a long-term lease would reduce churn in the rental market, which can itself be a driver of rent increases. Owners would be able to sell the property, but the new owner would take on the lease. In many countries, these features are not part of specialised programs. They are simply how the mainstream private rental market works.

This model has benefits for investors and property managers, as well as renters. Property managers would be empowered to manage the property to the satisfaction of the tenant, without having to seek permission for small actions, provided they return the property in good condition. Investors would be offered a much more secure and predictable income with fewer demands on their time and involvement. The enormous popularity of Defence Housing Australia leases among investors is a testament to the appetite for this approach, which guarantees rent paid in advance regardless of whether the property is vacant.

Anglicare Australia calls for a trial of head leasing as a model for mainstream tenancies. We would work with any jurisdiction willing to enact such a trial, which could eventually represent a new model for Australia's private rental market over the long-term.

Recommended actions

Anglicare Australia calls on levels of Government to work together to create nationally consistent protections for renters and uniform tenancy legislation. The aim of these changes would be to protect the rights of all renters by ending no cause evictions and limiting unfair rent increases.

We also call for a trial of secure leasing models for mainstream tenancies. We would work with any jurisdiction willing to enact such a trial, which could eventually represent a new model for Australia's private rental market over the long-term.

An urgent boost in support for renters

In many Australian cities and towns rents have been rising much faster than people's incomes. People on low and middle incomes are struggling to keep up, with thousands paying so much in rent that they can't meet other basic costs, like decent food and medical expenses. To afford housing, people need places to be available that they can afford to rent and to have a living income to meet essential expenses. With so little social and low-cost housing available, Commonwealth Rent Assistance (CRA) has become more and more important.

CRA is a payment designed to help ease the financial stress of renting for people on low incomes, and the amount it provides and how the payments are structured has a major impact on the ability of people to rent affordably in the private rental market.

The problem

CRA is intended to help low-income tenants of private housing afford their rent, but while rents have skyrocketed, the maximum rate of Rent Assistance hasn't kept pace. Each year Rent Assistance covers a smaller proportion rental costs. The payment is also unfairly designed, and needs to be reformed.

CRA is available to people receiving income support payments, including Family Tax Benefits, who are renting in the private rental market or are in community housing. It is calculated as 75 percent of a person's rent above a minimum threshold up to a maximum threshold. These payment thresholds vary by family type and are indexed to CPI, as shown in Table 2 below.

Table 2: CRA Rates by family and government income payment type

	Rates of Commonwealth Rent Assistance		
Household type	**Total fortnightly income**	**Minimum rent threshold**	**Maximum rent threshold**
Single, Age Pension	$919	$138	$307
Single, Youth Allowance	$463	$92	$246
Single, JobSeeker	$559	$138	$307
Couple, Age Pension	$1386	$199	$373
Couple with two children, JobSeeker	$1483	$239	$455
Couple with two children, Minimum Wage	$2791	$239	$455

In part, the differences in the levels of assistance between households reflect differing needs. A couple with two children have different housing needs than a couple with no children, or a single person on Youth Allowance. When these differences are examined more closely, another picture emerges. Looking at eligibility for CRA, the cut-in point, as a proportion of household income shows that some households have to spend a much larger proportion of their income on rent before they are eligible to receive housing assistance. A single person on youth allowance, for example, must spend 27 percent of their income on rent before they can receive assistance; pushing them to the verge of rental stress before they receive a payment. A single person on the Age Pension, by comparison, becomes eligible for assistance once they have spent 13 percent of their total income on rent.

The CRA cut-in points are inequitable, disadvantaging households on lower income support payments. The indexation of the CRA payment and these thresholds means this inequity is maintained year on year. Additionally, not all people who need rent assistance are eligible to receive it. This particularly affects single working people and couples on low incomes that don't have children.

Payments have fallen behind rent costs

For years, CRA has been falling further and further behind. Its thresholds are indexed to general inflation, rather than average rental costs. Because rents have grown much faster than CPI, the gap between rental costs and rent assistance payments has been growing. Research from the Productivity Commission shows that between 1995 and 2019 rents have grown at more than twice the rate of the general cost of living. Our Rental Affordability Snapshot data backs this up, showing how far out of reach rents are for people who rely on CRA.[23] This trend has continued, with our ten-year analysis showing how far out of reach rents are for people who rely on CRA.

The solution

As our ten-year analysis shows, there are very few affordable options for people looking for a home in the private rental market. Even if the other reforms in this roadmap are adopted, they will take years to make an impact. Australia needs an immediate restructure of CRA to help those in rental stress, and an increase in the payment.

Several major reviews have recommended that CRA be indexed to rental prices, rather than general inflation. The Harmer Review found that bi-annual increases to CRA had not kept pace with rental inflation in the private rental market, and recommended that CRA be indexed to a new measure based on the actual rents paid by income support recipients.[24] The Henry Tax Review also recommended that the maximum rent threshold be indexed in line with national rents.[25]

CRA is not a standalone solution

Boosting CRA is an important step for people who need urgent help. However, it should not be mistaken for a systemic or long-term solution. In fact, the decision to focus the Government's affordable housing investment in the private rental market has exacerbated the lack of affordable housing for people on low incomes.

Federal government spending on CRA now exceeds $4 billion per year.[26] This spending has doubled in the last fifteen years, up from $2.2 billion in 2006-07.[27] As our analysis has shown, the market has only become less affordable in that time.

The expansion of the CRA in recent decades reflects a shift in federal government housing policy, as they turned their focus away from supplying affordable housing to propping up the private market. Federal government funding for CRA now far outstrips the funding it provides for social housing and specialist homelessness services, which sits at $1.7 billion.[28]

Recommended actions

Anglicare Australia calls for reform of Commonwealth Rent Assistance to help those in rental stress, and an increase to the payment.

The payment should also be indexed to rental prices, rather than general inflation, to ensure support for renters keeps up with the cost of rent. It must also be equitable across different payment types.

CONCLUSION

Homes for all

It has taken governments decades to create the housing affordability crisis. Its consequences are clear. More and more people have been pushed into rental stress and homelessness.

The solutions favoured by the developer lobby and many politicians – increasing land supply, relaxing planning laws, or reducing "red tape" – will not make renting more affordable for people on low incomes. Nor will band-aid solutions and easy options tackle the problem. In most cases, they will likely make it worse.

Instead, this paper has proposed solutions that put people at the centre of housing. They also place the onus on Australia's Government to reclaim responsibility for ensuring its citizens can have a home.

Tackling this crisis will take time, and a willingness to put the interests of Australians who need a home ahead of the interests of investors. It will also require a concerted and enduring commitment from governments at every level. This work must begin immediately.

Rental stress, insecurity, and homelessness does not have to be the way of the future. We can and we must invest in affordable rentals for everyone, especially people who need them the most, and ensure that everyone has a place to call home.

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