



## National Shelter response to the Treasurer's call for pre-Budget Submissions 2019-20

Friday, 8 February 2019

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## Summary

National Shelter welcomes the opportunity to make this submission. The submission builds on the recent work of National Shelter, our members and other peak bodies, drawing on the extensive work of the Australian Housing and Urban Research Institute (AHURI) and other researchers. A set of measures are proposed to transform our National housing system to produce sufficient affordable, well located, fit for purpose housing, to meet our Nation's dramatic shortfall of affordable housing and insufficient responses to homelessness.

We recognised and welcomed the measures in the 2017/18 Budget, specifically the creation of a National Housing Finance Investment Corporation including the following:

- The change from a National Affordable Housing Agreement to a National Housing and Homelessness Agreement (NHHA);
- Development of a Bond Aggregator;
- Creation of an Affordable Housing Infrastructure Fund;
- Development of City Deals, including affordable housing;
- Extension of funding to the National Partnership Agreement on Homelessness;
- Extension of Capital Gains Tax Concessions to Managed Investment Trusts for Affordable Housing; and
- Stronger rules for foreign investors in housing.

We were extremely disappointed the Government failed to build on these initiatives in 2018-19. The 2019/20 Budget is a chance to build on the earlier initiatives and help to improve our social and affordable housing systems.

National Shelter urges the Government and all political parties to commit to a National Housing Strategy to address affordable and social housing in Australia and enable governments, the community sector and industry to work together to solve the current affordable housing crisis. The shortage of housing for low and moderate-income households acts as a brake on productivity and inhibits the economic and social participation of households without appropriate, well located, affordable, secure and accessible housing.

Recent AHURI research estimates that over the next 20 years 727,300 additional social dwellings will be required<sup>1</sup> using an "infrastructure investment pathway" approach to construct and operate assets and services to deliver social and economic benefits to society.

The Commonwealth should establish a growth fund (in addition to the NHHA funding) which it uses to leverage additional new outcomes from States and Territories to begin building Australia's level of social and affordable housing and to provide the subsidy gap required by private scale institutional investors to invest in affordable and social housing through Community Housing providers (CHPs).

A growth fund should be part of a split funding arrangement and be paid to States and Territories on a per capita basis and allow the NHHA Special Purpose Payment to transform into an operational fund paid on a

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<sup>1</sup> Lawson, J., Pawson, H., Troy, L., van den Nouwelant, R. and Hamilton, C. (2018) Social housing as infrastructure: an investment pathway, AHURI Final Report 306, Australian Housing and Urban Research Institute Limited, Melbourne, <http://www.ahuri.edu.au/research/final-reports/306>, doi:10.18408/ahuri-5314301.

per dwelling basis for social housing to reflect the differences in homelessness levels experienced in different jurisdictions, funding their operations based on relative homelessness. Recent transfers of public housing by State and Territory governments<sup>2</sup> to community housing providers (CHPs) have accelerated the role of community housing within the social housing space while not lifting the overall level of social housing. Transferred dwellings now attract a Commonwealth Rent Assistance (CRA) payment to the tenant which is then captured by the provider within their rent setting creating a de facto operational subsidy for CHPs. Stock transfer creates an additional cost to the Commonwealth which is unmatched by the States and Territories. Stock transfers also occur for property/tenant management without any arrangements to enable assets to be redeveloped to create additional supply.

To pay for these and other measures the Commonwealth should reform the tax treatment of housing to find the additional revenue required to offset these budget expenses.

In negotiating with States and Territories the Commonwealth should not threaten the withdrawal of dedicated funding under the NHHA, as this would risk vital funding to housing for low income households and homelessness services, but look to other possible sanctions, such as withholding Goods and Services Tax proportionally to provide a more powerful incentive for States and Territories to ensure they contribute to building social and affordable housing.

To assist the Commonwealth to facilitate the expansion of the roles of CHPs and to further develop policy and program options, tenant engagement, linkages between housing and allied services, tenancy law reform, broad consultation with community services and to provide a conduit between government and the community sector the Commonwealth should return funding to peak bodies in housing and homelessness, including National Shelter.

National Shelter recommends that the Australian Government:

- Establish a long-term Affordable Housing Growth Fund
  - Cost: \$1000 million in 2019-2020
- Establish a two-tiered payment system within NHHA with an operational cost paid per dwelling or relative to homelessness levels and a growth fund paid on a per capita basis.
  - Cost: Nil
- Review and reinstate a National Rental Affordability Incentive
  - Cost \$120 million in 2019-2020<sup>3</sup>
- Review Commonwealth Rent Assistance (CRA) and increase the maximum rate of CRA by 40%
  - Cost \$1.2 billion in 2019-2020<sup>4</sup>

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<sup>2</sup> Productivity Commission ROGS 2019 part g chapter 18A.3 attachment tables

<sup>3</sup> Calculated based on NRAS 2013 payments plus CPI

<sup>4</sup> Based on estimates from Grattan Institute Daley, J., Coates, B., Wiltshire, T., Emslie, O., Nolan, J. and Chen, T. (2018). Money in retirement: More than enough. Grattan Institute.

The Australian Government should reform the tax treatment of housing through the following measures:

- Deductions for expenses for investments in assets such as property and shares should be limited and the existing tax concessions for residential property investment replaced by a new rental housing investment incentive.
  - Saving: \$1,000 million in 2019-20

Additionally, we also recommend that the Australian Government prioritise the following measures to complement these budget adjustments:

- Establish a Cabinet Minister for Housing within an Urban and Regional Development or Infrastructure portfolio to drive reform;
- Use new Commonwealth funding and other incentives to improve transparency and accountability between the Commonwealth and States/Territories and to encourage State level reform to planning, changing from stamp duty to land tax and to make more well-located land available for affordable housing;
- All funding for homelessness service provision be identifiable and States/Territories specify their contribution to funding Specialist Homelessness Services;
- Establish a new National Partnership Agreement on Remote Indigenous Housing (NPARIH) to carry on the success of the completed NPARIH/NRHA;
- Negotiate with State/Territories to identify a specified proportion of NHHA funding/growth funding or both be dedicated to ICHOs to enable a growth strategy to be developed for Indigenous Community Housing;
- Continue to reform the provision of affordable housing including social housing via transfers of State/Territory housing supply to the CHP sector with commitments to asset management and redevelopment at negotiated levels, with at least one third transferred to the CHP sector;
- Re-establish funding for dedicated housing and homelessness peak bodies to provide advice to governments on housing and homelessness issues, policy and programs and to advocate publicly for improved housing and homelessness responses; and
- Re-establish a National Housing Council/Supply Council.

## Introduction

National Shelter welcomed the measures in the 2017/18 Federal Budget towards a comprehensive National Affordable Housing Plan, specifically the creation of a National Housing Finance Investment Corporation including:

- The change from a National Affordable Housing Agreement (NAHA) to a National Housing and Homelessness Agreement (NHHA);
- Development of a Bond Aggregator;
- Creation of an Affordable Housing Infrastructure Fund;
- Development of City Deals including affordable housing;
- Extension of funding to the National Partnership Agreement on Homelessness;

- Extension of Capital Gains Tax concessions to Managed Investment Trusts for Affordable Housing; and
- Stronger rules for foreign investors in housing.

While these measures are helping to lower the cost of financing and provide additional land and infrastructure to help develop more social and affordable housing, they would be complemented by capital growth funding which we believe is critical to achieving better outcomes.

The Government has begun a process to reform the incentives in place in Australia to attract investment into social and affordable housing. This includes incentives for private investment and from other levels of government, especially State and Territory Governments. The National Affordable Housing Agreement and its predecessor the Commonwealth State Housing Agreement have suffered from poor accountability, transparency and insufficient resources to achieve sufficient affordable and social housing supply.

National Shelter proposes establishing and rearranging the incentives for private and government investment in social and affordable housing, adjusting existing tax settings to provide the required revenue and applying that revenue to housing expenditure across a range of housing need.

We make this submission to suggest reforms of the tax treatment of housing and other measures to assist with the additional costs identified in this submission to address the large shortfall of affordable rental housing in Australia.

Our submission is based upon National Shelter's role as Australia's peak housing advocacy organisation, our Policy Platforms [Housing and Infrastructure](#), [Housing for Aboriginal and Torres Strait Islanders](#) and [Ending Homelessness](#) developed over a number of years in consultation with our members across the country and other peak bodies, using the most recent evidence from AHURI and other researchers.

Additionally, National Shelter works with Homelessness Australia, the National Association for Tenant Organisations, and the Community Housing Industry Association (CHIA) in the development of our policy and program recommendations. We also work with allied peaks like ACOSS and others to inform and prosecute policy ideas.

## About National Shelter

National Shelter is the peak non-government organisation representing the interests of low-income housing consumers and has been in operation since 1976. National Shelter comprises representatives of Shelter bodies in all States and Territories and includes the Community Housing Industry Association, National Council of the St Vincent de Paul Society and the National Association of Tenant Organisations. We also work with Homelessness Australia.

**National Shelter Vision:** Australia needs a *National Housing Strategy* (the Strategy) to ensure that all citizens can access the housing they need and want, that is affordable, appropriate, safe and secure. A senior Commonwealth Minister must take responsibility for the implementation of the Strategy, coordinating and facilitating the policies, legislation and resources necessary to lead and engage State and Territory Governments and the range of inputs required for its development.

## Why the budget needs to address housing affordability

Australia's housing problem has reached staggering proportions with new reports showing the number of households in housing need reaching 1.3million, predicted to rise to 1.7 million by 2025.<sup>5</sup> At 30 June 2018, Nationally there were a total of 398,582 households residing in social housing<sup>6</sup> and an estimated 433,000 in need of it<sup>7</sup>.

In an excellent chapter to the Committee for the Economic Development of Australia (CEDA) report, *Housing Australia*<sup>8</sup>, Yates describes Australia's changing housing and demographic profile showing how an increase in renters is reflecting our diminishing level of home ownership due to the decline in our social and affordable housing levels. Yates says, "A failure to address housing affordability problems can jeopardise achievement of other government goals such as those relating to economic growth and employment" and she calls for the Commonwealth to:

Set an initial minimum headline target of an Australia-wide annual net increase of 20,000 dwellings that are affordable for low income households with access to jobs, transport and appropriate services and ensure enforceable arrangements are in place to meet this target.

The Commonwealth Government should coordinate funding requirements to provide financial incentives for State and Territory Governments to meet the annual targets for affordable housing provision in a cost-effective manner and to meet any remaining financing shortfall through direct subsidies in the form of tax incentives to housing producers or income support to tenants.

Additionally, just over 40 per cent of tenants receiving CRA remained in rental stress (Productivity Commission, 2019 ROGS), whilst CRA reduces housing stress it is still inadequate to keep most recipients out of housing stress and poverty. Among those worst affected are the unemployed who have received no boost to their income support for two decades.

The National Housing Supply Council, the most reliable data source on housing supply, estimated a shortfall of affordable rental housing available to households on the lowest 40% of household incomes as 539,000<sup>9</sup> properties.

Recent AHURI research estimates that over the next 20 years 727,300 additional social housing dwellings will be required<sup>10</sup> using an "infrastructure investment pathway" approach to construct and operate assets and services to deliver social and economic benefits to society.

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5 Rowley, S., Leishman, C., Baker, E., Bentley, R. and Lester, L. (2017) Modelling housing need in Australia to 2025, AHURI Final Report 287, Australian Housing and Urban Research Institute, Melbourne, <http://www.ahuri.edu.au/research/final-reports/287>, doi: 10.18408/ahuri-8106901.

6 Productivity Commission ROGS 2019 Chapter 18 part g

7 Lawson, J., Pawson, H., Troy, L., van den Nouwelant, R. and Hamilton, C. (2018) Social housing as infrastructure: an investment pathway, AHURI Final Report No. 306

8 Yates, J, in CEDA, *Housing Australia* 2017

9 National Housing Supply Council, *Housing Supply and Affordability – Key Indicators*, 2012, p22-27 & p47 The figure of 539,000 is arrived at as follows. In 2009-10 there were 857,000 renter households in the bottom 40% of the income distribution, and 1,256,000 dwellings rented at an affordable price for these households. However, 937,000 of these dwellings were rented by households in higher income groups, leaving only 319,000 available for rent by low income households – a shortfall of 539,000.

10 Lawson, J., Pawson, H., Troy, L., van den Nouwelant, R. and Hamilton, C. (2018) Social housing as infrastructure: an investment pathway, AHURI Final Report 306, Australian Housing and Urban Research Institute Limited, Melbourne, <http://www.ahuri.edu.au/research/final-reports/306>, doi:10.18408/ahuri-5314301.

Homelessness continues to grow in Australia, increasingly due to a lack of affordable housing, and is now estimated at over 116,000 people on any given night.<sup>11</sup> Client numbers of Specialist Homelessness Services have climbed to 288,795<sup>12</sup> in a twelve-month period.

## Housing as Infrastructure

National Shelter believes a vital shift in thinking about housing needs to be made. Economists and planners have overlooked the role of housing as infrastructure and social housing and affordable housing as essential infrastructure supporting economic, social and cultural participation. Affordable housing is essential to productivity and requires a Cabinet level Minister with oversight to develop a National Housing Strategy to ensure appropriate, adequate housing for a growing population and to include lower income households in planning, economic opportunity and as part of urban and regional development. Housing agreements between the Commonwealth and States/Territories have been reduced to welfare housing agreements focussed only on the lowest income and highest needs households, this approach has been counter-productive to good housing and productivity. A broader approach to housing policy is required to link housing to an infrastructure approach.

**National Shelter recommends the establishment of a Cabinet Minister for Housing within an Urban and Regional Development or Infrastructure portfolio to drive reform and establish a National Housing Strategy**

## The National Housing and Homelessness Agreement (NHHA)

The NHHA has now replaced the previous NAHA and National Partnership Agreement on Homelessness (NPAH) into a single payment system. It is an ongoing Specific Purpose Payment (SPP) with the Commonwealth providing \$4.58 billion to the States and Territories over the three years from 2018/19.

The NHHA commenced in July 2018 and now makes permanent funding previously unsecured in the NPAH which is welcomed. National Shelter also welcomes the indexation of the NHHA at Wage Cost Indexation 1 although believes this level of indexation still inadequate to meet the rising cost of service delivery. There are three additional problems we identify with the NHHA:

1. Social Housing as a proportion of total housing
2. Transparency and accountability
3. Outcomes and measurement

## Social Housing as a Proportion of Total Housing

Although the total number of social housing dwellings has risen, this growth rate is not keeping pace with the growth of low-income households and therefore the share of social housing is declining. Over a nine-year period, social housing's share has gradually fallen from 5.1% to 4.7%. In Victoria this is a staggeringly low 2.8%. All levels of government need to commit to increasing spending on and the proportion of social housing.

The NHHA requires both an ongoing maintenance cost (the SPP) plus a long-term housing growth fund dedicated to net new additional supply. The establishment of a growth fund would also provide the Commonwealth Government with leverage to obtain reforms from the States and Territories that is

<sup>11</sup> <http://www.abs.gov.au/ausstats/abs@.nsf/lookup/2049.0Media%20Release12016>

<sup>12</sup> <https://www.aihw.gov.au/reports/homelessness-services/specialist-homelessness-services-2017-18/contents/contents>

essential to the development of a housing reform process. The growth fund should be established to ensure reform and the development of an incentives to encourage private sector investment and complement adjustments to tax treatments.

Within the SPP the level of funding for Specialist Homelessness Services is only estimated which risks erosion within the SPP over time. We recommend that the homelessness component be separated or otherwise made discreet with the overall SPP.

## Transparency and Accountability

The NAHA has been plagued by a lack of transparency and accountability with constant accusations from the Commonwealth Government about States/Territories obscuring SPP funding outcomes or utilising the NAHA SPP as a “one-way ATM” that has failed to boost supply<sup>13</sup>.

State and Territory Budgets have become so obscure that it is impossible to track net increases or decreases in social housing supply or the real cost of providing social housing through Government reporting, but the Independent Pricing and Regulatory Tribunal in NSW (IPART) review of rent models for social and affordable housing states that, “We estimate that the additional explicit subsidy required to fund the current difference between tenant rent contributions and market rent is \$945m per annum.”<sup>14</sup>

The Productivity Commission has reported that the State and Territory Governments contribute around half the total expenditure on social housing, \$4.1 billion in 2017-1815 with the Commonwealth providing approx. \$1b of that total. The other \$1b being for homelessness service provision. It is difficult to have confidence in the ROGS cost calculations.

There is an urgent need to understand the real cost of providing social housing both in terms of construction but ongoing subsidy. If we don't know the true cost of housing it is difficult to garner the support required to build it, the investors to invest in it or the providers to manage it.

## Outcomes and Measurement

The NAHA/NHHA has also been plagued by a lack of data and an inability to be measured. National Shelter recommends restoring a National Housing Council (NHC) to pick up the functions of the defunct National Housing Supply Council. The restoration of an NHC would provide timely data on housing supply especially the critical level of supply affordable and available to low and moderate-income households. A restored NHC could also be used to establish other critical indicators on need, supply and data on under-occupancy, overcrowding, the private rental market and ownership changes.

**National Shelter recommends any restored NHC should have consumer interests represented.**

## Tax and Housing

Australia's current tax treatment of housing adds inflationary pressure to the price of housing. Capital gains tax concessions and negative gearing provide much greater benefits to existing owners and people who can afford to invest while leaving people living on low incomes languishing in a tired and expensive rental market. There are no capital gains tax concessions (CGT) on owner-occupied housing, nor any land tax, we have a 50% discount on CGT concessions for those who invest in rental housing, with the ability to deduct

<sup>13</sup> <https://www.theguardian.com/australia-news/2017/apr/10/scott-morrison-says-housing-agreement-a-one-way-atm-that-has-failed-to-boost-supply>

<sup>14</sup> [https://www.ipart.nsw.gov.au/files/sharedassets/website/shared-files/pricing-reviews-section-9-publications-review-of-social-and-affordable-housing-rent-models/final-report-review-of-rent-models-for-social-and-affordable-housing-july-2017-\[w172737\].pdf](https://www.ipart.nsw.gov.au/files/sharedassets/website/shared-files/pricing-reviews-section-9-publications-review-of-social-and-affordable-housing-rent-models/final-report-review-of-rent-models-for-social-and-affordable-housing-july-2017-[w172737].pdf)

<sup>15</sup> Productivity Commission ROGS 2019 Chapter 18 Table 18.1

losses on rental housing against any income source through negative gearing. These tax settings help to commodify housing instead of promoting housing as a primary place of residence and home rather than an investment.

At the State and Territory level, our Governments are understandably interested in maintaining the income from stamp duty on housing transactions but are also vulnerable to decreases in revenue and budgetary fortunes during downturns in property cycles.

Overall our current taxation measures detract from revenue which could be more purposefully applied to attracting at scale private investment into affordable and social housing managed by a vibrant and purposeful set of community housing providers (CHPs) and/or State and Territory housing authorities to alleviate housing stress and poverty. Tax reform and the additional revenue it may generate<sup>16</sup>, if partially re-directed, is a vital negotiating point in the future of funding agreements between the Commonwealth and the States and National Shelter promotes five reforms as follows:

- Remove the exemption on CGT for home owners<sup>17</sup>;
- Reduce the CGT discount for individuals and trusts to 25 per cent;
- Limit negative gearing and quarantine passive investment losses so they can only be written off against other investment income;
- Encourage and provide incentives to State and Territory Governments to exchange stamp duties for a disaggregated land tax over twenty years; and
- Encourage and provide incentives to State and Territory Governments to introduce vacancy taxes on residential housing that is untenanted or unoccupied for a period of greater than six consecutive months, returning savings of revenue to an affordable housing fund.

One half of the savings generated from these measures, estimated be worth \$5.3 billion per year<sup>18</sup>, would generate \$2.65 billion per year for the Commonwealth Government to fund incentives for private scale investment in affordable and social housing, and with dollar for dollar matching from State and Territory Governments, would amount to a significant increase in housing affordability.

## Vacancy Taxes

National Shelter welcomed the initiative in the 2017 budget to charge foreign investors purchasing investment properties who leave them vacant. While the revenue generated from this measure is expected to be modest (\$20m over the forward estimates) it sends an important market signal.

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<sup>16</sup> 1 Nearly \$80b total tax is foregone annually in CGT exemptions for principal residence, CGT discounts to investors and negative gearing deductions <https://static.treasury.gov.au/uploads/sites/1/2018/01/2017-TES.pdf> and <https://grattan.edu.au/wp-content/uploads/2018/03/901-Housing-affordability.pdf>

<sup>17</sup> Removing the exemption of CGT for home owners may need an accompanying threshold and mechanism to defer payment to be taken from an estate on death

<sup>18</sup> <https://grattan.edu.au/wp-content/uploads/2016/04/872-Hot-Property.pdf> (Grattan Phase in a 25 per cent discount over five years through reducing the value of the CGT discount by 5 percentage points each year.)

**National Shelter recommends the revenue gained from the foreign owner vacancy tax initiative should be directed into a fund controlled by the NHFIC to support the development of affordable housing.**

## Foreign Resident Capital Gains tax

The Government will also bolster the foreign resident capital gains tax withholding regime by increasing the withholding rate from 10 per cent to 12.5 per cent, as well as increasing the number of foreign residents caught by the regime by reducing the threshold from \$2 million to \$750,000. These changes applied from 1 July 2017 and reduce the risk that foreign residents avoid paying a capital gains tax liability they owe in Australia. These changes to improve the integrity of capital gains tax rules for foreign investors are estimated to have a gain to revenue of \$600 million over the forward estimates.

**National Shelter welcomes these changes to foreign resident capital gains tax and recommends the revenue raised should be directed to a capital fund to boost social and affordable housing supply.**

## Commonwealth Rent Assistance

Commonwealth Rent Assistance (CRA) is paid to low income renters living in private rentals and community housing and prevents even more widespread housing stress, and housing affordability issues, among this group. However, CRA has not kept pace with increasing rents and household costs and must be increased in order to minimise housing stress among low income renters. The Harmer Pension Review found that because the rate of CRA is indexed to overall inflation, not to increases in rents, pensioners are on average \$9 to \$10 per week worse off over the period from 2000 to 2009 (Commonwealth of Australia, 2009). In addition, many low-income households are not eligible for CRA because it is only available to people on income support payments.

The Grattan Institute has argued for an increase in CRA of 40% as the most effective means of decreasing poverty among retirees. While National Shelter takes issue with arguments Grattan makes about CRA being the most cost-effective means of providing housing assistance, specifically to obviate the need to boost social housing levels beyond their historic level of 6%, we agree on CRA needing to be lifted. National Shelter believes a more holistic approach to boost social and affordable housing as well as private market assistance are required.<sup>19</sup>

**National Shelter recommends that the Australian Government increase the maximum rate of Commonwealth Rent Assistance by 40%, that this amount be indexed to the rental component of CPI from 2019 onwards, and that eligibility be extended to all people who meet income test requirements, irrespective of their source of income.**

The provision of rent assistance will not in itself promote adequate supply, although it does provide an important subsidy to community housing organisations which in certain conditions can make the difference between viability and non-viability of social housing projects.

The recommendations here need to be seen alongside recommendations about changing private rental investment, and more specifically about rent and subsidy arrangements in social housing. Rent assistance provides an important component in the financial viability of community housing providers and any changes to CRA will need to be evaluated for their impact on this sector.

<sup>19</sup> <http://shelter.org.au/site/wp-content/uploads/National-Shelter-9-Priorities.pdf>

## National Rental Affordability Incentive

The National Rental Affordability Scheme (NRAS) was designed, in part, to contribute to the supply of affordable rentals and alleviate housing stress for a sub-set of the population (i.e. those over income eligibility for social housing but still unable to access affordable accommodation in the private rental market).

An incentive is required (either as a form of tax credit or a grant to community housing providers) to leverage private sector investment to the task of building a supply of affordable rental housing. We propose an incentive with contributions from the Commonwealth and State/Territory Governments (nominally 75% and 25% respectively, with State/Territory contributions expected to be higher for lower income, longer tenure or specific outcomes) with tranches of incentives (1,000-50,000) to be issued to approved providers at a national level.

The incentive would last 10-15 years to providers meeting specified minimum criteria (x proportion of 1,2, bedroom, x proportion of outer, inner, regional) at specified levels of affordability (at least 20% below market) and could be complemented by capital from State/Territory public housing investment, land from States/Territory Governments, local governments, not for profit organisations or community housing providers, or other enhancements to enable private and eventual institutional investors to contribute to the task of building the scale supply of affordable rental housing. States could top up incentive payments for outcomes desired in their jurisdictions.<sup>20</sup>

A new scheme could be similar to the National Rental Affordability Scheme (NRAS) which proceeded along a different direction in relatively small tranches which were location specific, with duplicated and inefficient approval processes and administration which allowed some loopholes and allocation problems that need to be overcome. NRAS nonetheless added to the supply by 38,000 properties by the end of its reduced provision of incentives.

**National Shelter recommends reinstating a redesigned National Rental Affordable Incentive (NARI) building over 1-3 years to deliver 15,000 additional affordable rental dwellings per annum and maintain investor confidence in the program, while the program is reviewed, and problems are addressed to ensure a viable future program of incentives for private investment. Once this is completed and program improvements are made, National Shelter recommends extending a NARI by an additional 100,000-250,000 incentives over a further fifteen-year program and investigating a lower incentive to maintain existing NRAS properties as affordable rentals.**

## Specialist Homelessness Funding

National Shelter has welcomed the inclusion of the National Partnership Agreement on Homelessness within the NHHA. There are still risks involved within the funding arrangement and inconsistencies we highlight that homelessness funding should be identified as a discrete component in the NHHA and both social housing and Specialist Homelessness Services could be vulnerable to a change in the mix or makeup of state allocations.

**National Shelter recommends that all funding for homelessness service provision be identifiable and State and Territory Governments specify their contribution to funding SHS provision.**

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<sup>20</sup> <http://www.australianreview.net/digest/2007/election/disney.html>

## Aboriginal and Torres Strait Islander Housing

Aboriginal and Torres Strait Islander peoples continue to experience the highest levels of housing stress and overcrowding in Australia.

In the Report on Government Services 2019, by the Productivity Commission it is revealed that, despite some improvements, nearly 30% of Aboriginal and Torres Strait Islander public housing tenants live in accommodation that does not meet basic acceptable standards (defined as having working facilities for washing people, washing clothes, storing/preparing food, and sewerage, and no more than two major structural problems)<sup>21</sup>.

It is difficult to engage in school/work/community when you do not have access to basic living standards. Investing in adequate housing contributes to better social, education and health outcomes, and conversely an absence of adequate accommodation or severely overcrowded accommodation undermines other government efforts aimed at closing the gap.

Despite funding provided through the National Partnership Agreement on Remote Indigenous Housing (NPARI), significant housing disadvantage remains for Aboriginal/Torres Strait Islander peoples in remote areas.

**National Shelter recommends a continuation of funding to lift the levels of housing disadvantage in remote Aboriginal and Torres Strait Islander communities.**

Over 75% of Aboriginal and Torres Strait Islander households live in urban and regional, rather than remote, settings and continue to suffer discrimination in private rental markets across Australia. Reforms to the community housing sector through the NAHA and the introduction of a national regulatory scheme (NRS), have been poorly applied to Indigenous Community Housing Organisations (ICHOs).

ICHOs have been subject to a process of transferring out of Federal jurisdiction and into State/Territory jurisdictions with varied success across Australia. This has left many ICHOs, particularly in Queensland, outside of the mainstream the system without access to desperately needed maintenance funding because of a failure to register as providers. ICHOs in many cases own land and housing which is now unable to utilise the potential benefits available to registered providers which is wasting a potential base to grow housing specifically targeted at Aboriginal and Torres Strait Islander households.

The Commonwealth Government has also now passed legislation allowing previous caveats over ICHO properties with a Commonwealth interest to be lifted which represents a breakthrough in the ability to negotiate with ICHOs to bring them into community housing registration.

***National Shelter recommends that the Commonwealth Government negotiate with State and Territory Governments to identify a specified proportion of NAHA funding be dedicated to ICHOs to enable a growth strategy to be developed for Indigenous Community Housing.***

## Other Recommendations

### **Recommendation: Establish a long-term Affordable Housing Growth Fund**

An Affordable Housing Growth Fund should be established with a commitment of \$1 billion in the first year, growing to \$15 billion over 15 years. This funding should be explicitly for expanding the stock of social and affordable housing and, over time, could be directed towards direct capital funding and investment in incentives for institutional investors to deliver net new additional supply at scale. Program guidelines should enable housing providers to draw on a range of affordable housing programs to deliver maximum

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<sup>21</sup> Productivity Commission ROGS 2019 table 18A.39

affordability and provide mixed tenure developments. Given the design of a financing mechanism will take some time, funding in the first year should be delivered through a revived Social Housing Initiative National Partnership Payment to the states and territories for capital funding of social housing.

Cost: \$1000 million in 2019-2020

Establish a two-tiered payment system within NHHA with an operational cost paid per dwelling or relative to homelessness levels and a growth fund paid on a per capita basis.

Cost: Nil

**Recommendation: Review and reinstate a National Rental Affordability Incentive**

A National Rental Affordability Incentive program should be reinstated after redevelopment to provide an incentive to leverage private and institutional finance into the delivery of affordable housing. The new incentive would be designed to encourage scale investment in scale affordable housing as an incentive to complement other funding sources to deliver mixed tenure developments using the community housing sector and private developers in concert.

Cost \$120m in 2019-2020<sup>22</sup>

**Recommendation: CRA should be reviewed to ensure that it best meets the needs of people who are on low incomes. As a first step, the maximum rate of CRA should be increased from 1 June 2019 by 40% for low income households currently receiving the highest rate of CRA.**

Cost: \$1.2 billion in 2019-20<sup>23</sup>

**Recommendation: Establish a new National Indigenous Remote Housing Partnership Agreement over 10 years.**

Cost \$1 billion in 2019/20

**Recommendation : Deductions for expenses for investments in assets such as property and shares should be limited and the existing tax concessions for residential property investment replaced by a new rental housing investment incentive.**

- (1) Income tax deductions for expenses (such as interest payments on debt) relating to passive investments in such assets yielding capital gains (such as housing, shares and collectables) should be limited to income received from those assets, including capital gains realised on subsequent sale. This should apply to all new investments of this type entered into after 1 January 2017.
- (2) Part of the revenue saved from this measure should be used to introduce a two-tier rental housing investment incentive paid as an annual tax offset for a fixed period (such as 15 years) in respect of new dwellings or improvements for residential rental purposes, below a fixed construction cost. A

<sup>22</sup> Calculated based on NRAS 2013 payments plus CPI

<sup>23</sup> Estimate based on calculations in Daley, J., Coates, B., Wiltshire, T., Emslie, O., Nolan, J. and Chen, T. (2018). Money in retirement: More than enough. Grattan Institute.

higher rate would apply to dwellings defined as 'affordable rental housing', as part of a wider package of incentives to support investment in affordable housing.

**Additionally, we also recommend the government prioritise the following to complement these budget adjustments:**

- Establish a Cabinet Minister for Housing within an Urban and Regional Development or Infrastructure portfolio to drive reform and use all the levers available;
- Utilise Commonwealth funding (NHHA) and a growth fund and/or other incentives to improve transparency and accountability between the Commonwealth Government and State/Territory Governments and to encourage State/Territory level reform to planning, changing from stamp duty to land tax and to make more well-located land available for social and affordable housing;
- The Commonwealth Government should negotiate with State/Territory Governments to identify a specified proportion of NHHA funding/growth funding or both be dedicated to ICHOs to enable a growth strategy to be developed for Indigenous Community Housing;
- All funding for homelessness service provision should be identifiable and State/Territory Governments specify their contribution to funding SHS provision;
- Continue to reform the provision of affordable housing including social housing via transfers of State/Territory Government housing supply to the CHP sector with commitments to title transfer at negotiated levels, with at least one third transferred to the CHP sector;
- Negotiate to re-establish funding for a dedicated housing peak body and homelessness peak bodies to provide advice to governments on housing and homelessness issues, policy and programs and to advocate publicly for improved housing and homelessness responses.

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