



## National Shelter

# Housing & Infrastructure in Australia

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## **National Shelter Vision**

Australia needs a National Housing 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.

A National Housing Strategy will ensure that all Australian citizens have access to the following:

- ❖ Affordable home ownership of a range of well-designed and good quality dwellings that respond to the demographics of the population, now and in the future;
- ❖ Affordable, high quality private rental housing with secure tenure;
- ❖ Tenancy legislation that is aligned with International best practice standards; and
- ❖ A supply of good quality social housing that is sufficient to meet the needs of people living on low incomes.

National Shelter is committed to undertaking a process to develop a National Housing Strategy that involves stakeholders from a range of political, economic, and social interests, to produce a long-term plan and achieve bi-partisan support.

## **Engaging Housing Consumers**

The engagement and participation of citizens in policy development has the potential to improve outcomes through informing decisions about how well the housing system performs from a housing consumer perspective and to inform the ongoing monitoring of housing reform. Citizens are often the last people involved in decisions which affect their lives and have important intelligence, personal and lived experience to offer policy makers. National Shelter supports the philosophy and practice of consumer engagement as an underlying principle of the creation of a National Housing Strategy.

## National Shelter 7 Point Plan

### 1. Tax Reform

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 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>1</sup>, if partially re-directed, is a vital negotiating point in the future of funding agreements between the Commonwealth and the States and five reforms are promoted as follows:

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<sup>1</sup> 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>

- Remove the exemption on CGT for home owners<sup>2</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<sup>3</sup>; and
- Encourage and provide incentives to State and Territory governments to introduce vacancy taxes on residential housing that is unoccupied or unoccupied for a period of greater than 6 consecutive months, returning and 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>i</sup>, would generate \$2.65 billion per year for the Commonwealth 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.

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<sup>2</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>3</sup> [https://espace.curtin.edu.au/bitstream/handle/20.500.11937/3348/186984\\_186984.pdf?sequence=2](https://espace.curtin.edu.au/bitstream/handle/20.500.11937/3348/186984_186984.pdf?sequence=2)

## **2. Urban and Regional Development**

Affordable, appropriate and secure housing underpins our economy's ability to attract and retain a skilled workforce, and profoundly impacts community health, education, productivity and overall wellbeing. The regulation of land use and infrastructure development through urban and regional planning significantly influences the overall efficiency of our communities and housing outcomes. How and where development occurs impacts the location, supply and affordability of housing, our ability to access training, employment and services, our ability to participate in civic and economic life, and ultimately, the overall sustainability of our communities. Affordable housing is essential urban infrastructure that must be properly planned if communities are to be sustainable and to avoid the costly impacts associated with the economic and social divide created by housing inequality. National Shelter supports the following key urban and regional planning initiatives.

### **Transit Oriented Developments**

National Shelter welcomes Commonwealth initiatives directed at better planning and encourages the strategic use of these resources to support Transit Oriented Developments (TODs) which integrate affordable housing with development around public transport networks and service and employment nodes. Housing Affordability is intrinsically linked to urban and regional infrastructure and development, planning systems and property valuations. Transport corridors are increasingly valued for their relationship to location, affordability and access to opportunities for employment, recreation, shopping, entertainment, health facilities and education. Cheaper land and housing is often located on urban fringes where there is poor access to public transport and other opportunities to work or access services, creating long commutes and negatively affecting worker productivity. Low income households and individuals need proximity to jobs but are increasingly forced out of our well serviced inner cities and regional centres.

Transport, especially access to public transport, is critical to housing affordability and National Shelter supports TODs to add appropriate density along transport corridors with access to services, especially in urban centres, which lifts the level of affordable housing.

- ➲ National Shelter recommends that the Commonwealth Government adopt a policy for all TODs to include a proportion of affordable and social housing to improve access to opportunities for low income households. The rate of affordable housing should be 15% on privately owned land and 30% of housing on government owned land. Affordable housing should include at least one third that is affordable for households living on low - moderate incomes (where rents are set at

no more than 30% of household income). Incentives for the States and Territories to adopt the same policy could be provided.

### **Government Owned Land Release**

Any government owned land release for development that is well located should achieve a minimum 30% affordable housing.

#### **City Deals and other specific measures**

National Shelter welcomes the land release from the Commonwealth provided by City Deals and other land releases announced in the 2017 Federal budget<sup>ii</sup>. Unlocking land and negotiating planning and financing reforms combined with the creation of the National Housing Infrastructure Facility (NHIF)<sup>iii</sup> are welcome reforms which will help to improve the land and financing available for affordable housing.

- National Shelter recommends that in any City Deal or Commonwealth land release and/or development drawing on the NHIF, that 30% of all housing developed be affordable housing with one third to be social housing, one third discounted (at least 20%) market rental and one third be affordable home purchase. Home purchases under such schemes should retain affordability for the lifespan of the house and not just be a windfall for the first purchaser.

City deals should establish an affordable housing target that is supported by two measures:

- Funding as one-off grant to help subsidise affordable housing (as NHIF and/ or city deals dollars)
- Government owned land as additional measure to subsidise affordable housing

### **Value Capture**

An important component of planning is the creation of additional land value through rezoning or the development of new transport corridors, or value released through developments drawing on the NHIF. It is important that when the value of land is increased that a proportion of that increased value be captured for public use rather than being a windfall gain for land owners or developers.

- National Shelter recommends that up to 50% of increased value and no less than 30% be captured to fund affordable housing development. Revenue raised via value capture to be held in a trust fund to be administered through the NHFIC and distributed to CHPs.

### **Inclusionary Zoning**

Inclusionary zoning is a feature of planning systems in some Australian jurisdictions including South Australia and to a lesser extent, New South Wales, and reports varied success. In South Australia

some new developments are required to include 15% affordable housing with one third of that percentage for social housing. Inclusionary Zoning may also operate to relax or provide incentives to developers to include levels of affordable housing in developments<sup>iv</sup>. The literature on inclusionary zoning refers to the need for a simultaneous density bonus and other concessions to ensure this policy measure has a positive impact on the supply of affordable housing, but these are not currently available in South Australia. The majority of projects that achieve the 15% measure in South Australia are located on government land and it is difficult to ascertain evidence about how inclusionary zoning affects the capacity of industry participants to build affordable housing. The price point of some of the new builds in Adelaide is out of reach for people living on low incomes (\$330,000+). So inclusionary zoning is important, but a range of other complementary measures are needed to better serve people living on low incomes and reduce homelessness.

- National Shelter recommends that the Commonwealth encourages and provide incentives to State and Territory governments to include inclusionary zoning provisions in planning legislation, mandating 30% affordable housing requirements in all new developments, with a range of complementary measures.

### **3. Designing a better housing future**

#### **Data, Transparency and Accountability**

A National Housing Strategy will require an ability to understand the current housing system and develop mechanisms to plan for future need based on population growth, distribution, the specific needs of different cohorts, type of residence, amenity, location and tenure.

National Shelter calls for the re-establishment of the National Housing Supply Council or equivalent to create the base data and the ability to predict future housing need, to design a better housing future.

States and Territories should establish transparent data on social and affordable housing based on a national audit of defined property portfolios and monitored for net additions and subtractions. Data would be overseen by a reconstituted National Housing Supply Council to consolidate data currently compiled by the Australian Institute of Health and Welfare and include data on tenant profiles across the portfolio of the housing estate. Data on affordable and social housing to be made available on a publicly open website, in real time.

#### **Disability Access**

The design of buildings, public spaces and homes has a critical impact on their use, their livability, accessibility and cost. To adequately address issues of design this section will examine disability access and density. Within the area of disability access, National Shelter supports the work of the Australian Network for Universal Housing Design (ANUHD). The Commonwealth must support the following minimum standards:

- An accessible path of travel from the street or parking area to and within the entry level of a dwelling;
- Doors, corridors and living spaces that allow ease of access for most people on the entry level; and
- A bathroom, shower and toilet that can be used by most people, with reinforced wall areas for grab-rails at a later date.

There is currently no regulatory requirement for the development of housing to be universally designed (accessible). With a 60% probability that newly-built housing will be home to at least one disabled resident during the building's life, interventions are warranted to improve the supply of accessible housing. It is more cost effective to design housing to be accessible at the outset than to

adapt an existing home, but the voluntary take up of universal design at the time of construction has not been successful. Mandating that a proportion of all new housing to be universally designed would have the dual benefit of promoting social inclusion and reducing demand for social housing by lifting appropriate supply in the private market.

### **Urban Equality, Density and Design**

Issues of density, special equality and modern design fall within the jurisdictional responsibility of States and Territories and are well covered in research by Shelter NSW and the UNSW City Futures Research Centre in a series of papers<sup>v</sup>. There is a spacial divide between wealthy inner urban areas compared to lower income outer suburban areas, the “building, neighbourhood and metropolitan scale”, which examines the need for family friendly design in higher density buildings, the displacement of lower income households from gentrified inner urban spaces and the neo-liberal push to wind back welfare and starve public housing of resources to better manage its footprint.

A National Housing Strategy should link all areas of National, State and local policy and programs to address design with the following recommendations:

- Negotiations over future increased funding from the Commonwealth to State and Territory governments consider an incentive arrangement to improve cities urban design to ensure equitable building, neighbourhood and metropolitan arrangements; and
- A Commonwealth strategy to engage with National Shelter, planners, urban designers, architects and developers around design issues to develop an appropriate National response to gentrification.

#### **4. Financing Affordable Housing**

The term “affordable housing” in this paper is specific to housing people living on low and moderate incomes (bottom 2 quintiles) and which costs less than 30% of a household’s gross income.

As discussed above, Australia has a uniquely inefficient method of providing investment in the private rental system which also fails to produce sufficient affordable housing for people living on low incomes. The housing supply shortfall is estimated to be 500,000 dwellings that are affordable for, and available to, low income households.<sup>vi</sup>

National Shelter supports a shift from individual investment in housing, to scale institutional investment over the next twenty years. The National Housing Finance and Investment Corporation (NHFIC) and Bond Aggregator are helpful instruments, but on their own are insufficient to meet the gap between rental yield and investment return.

National Shelter would like to see the development of an incentive provided by Commonwealth Government, and matched by State and Territory governments, which could meet this investment gap and help to attract scale private investment into affordable and social housing. The incentive must build on the National Rental Affordability Scheme approach and would be:

- Variable depending on the outcome for the occupant to meet the difference between rent contributed and the cost of housing plus a return on investment;
- Able to meet the cost of providing social housing at 25-30% of household income to discounted market rent at 20-30% below market;
- For a minimum fifteen-year duration;
- Structured to allow a proportion to become permanent social and/or affordable housing;
- Structured as a tax credit or grant 60-40 Commonwealth/ State;
  - State contributions could be in the form of land, grants, contribution to a tax credit; and
  - State contributions could be higher than 40% for specific outcomes.
- Allocated nationally in tranches of 1000 properties;
- Stipulate minimum % of inner, middle, outer ring urban and regional/remote locations;
- Stipulate minimum % of social and affordable housing;
- Stipulate minimum % of 1, 2 or 3, 4+ bedroom homes;
- Source the incentive to produce the investment from savings generated through tax reform; and
- Be adaptable for a range of uses over the lifespan of the property.

## **5. A Fair and Secure Renting System**

Australia is becoming a nation where renting is far more prevalent and longer term but our renting systems have been designed based on tenancy as a short-term option assuming most households will become home owners. As a result, there are high levels of discrimination in our rental markets and short and insecure tenures. A re-examination of the rental systems in States and Territories is required however, the Commonwealth still has a role to ensure renting is a positive and potentially long term experience.

### **Tenancy Legislation**

The number of Australians who are renting from private investors has grown to 30.9%<sup>vii</sup> of the population in 2016 from 26.3%<sup>viii</sup> in 2001. Rental affordability for low income households (Quintiles 1&2) is extremely poor with most capital cities and many regional areas in Australia having no affordable rental properties for these households.<sup>ix</sup>

National Shelter and one of its member organisations, the National Association of Tenant Organisations (NATO), produced a comparative look at tenancy legislation “A Better lease on Life” in 2010<sup>x</sup>. Since then National Shelter partnered with CHOICE Australia and NATO to undertake the first National survey of tenants conducted. The following findings are contained in the “Unsettled”<sup>xi</sup> report:

- 83% of renters in Australia have no fixed-term lease or are on a lease less than 12 months long;
- 62% of people say they feel like they can’t ask for changes;
- 50% of renters report experiencing discrimination when applying for a rental property;
- 50% of renters worried about being listed on a residential tenancy database;
- 20% renters experiencing leaking, flooding and issues with mould; and
- 8% of renters are living in a property in need of urgent repairs.

Our work with CHOICE and NATO, along with the “Make Renting Fair” campaigns run by Tenants organisations in Victoria and NSW have led to a raft of new tenancy measures being proposed in

Victoria and New South Wales<sup>4</sup>. Reform is welcomed however, every State should urgently improve its tenancy legislation including the following:

- coverage of marginal forms of housing such as boarding houses and supported accommodation;
- protection against unnecessary eviction;
- regulation of residential tenancy databases;
- minimum standards of safety and habitability;
- mitigation of excessive rent increases;
- a framework for longer term leasing;
- Removing barriers to pet ownership or discrimination; and
- Maximising tenants' ability to make premises homes.

Tenancy Legislation is a State and Territory jurisdictional responsibility however, the Commonwealth has a leadership role to play and could also encourage States and Territories to improve their tenancy legislation by providing incentive payments (within and additional to) existing funding agreements.

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<sup>4</sup> The Victorian government has proposed a raft of changes to tenancy legislation the detail of which may or may not improve the security and fairness of the system while in NSW proposals have been made by the ALP opposition.

## **6. National Affordable Housing and Homelessness Agreement**

National Shelter supports the development of a National Housing and Homelessness Agreement (NHHA) to replace the National Affordable Housing Agreement (NAHA). Like the NAHA, the NHHA should be a broad agreement going beyond the narrow welfare housing approaches of the past twenty-five years to develop a broader range of housing options for the housing needs of Australian citizens in the 21<sup>st</sup> Century. The agreement should also contain targets the diversity of need among people living on low incomes within the population and a funding base to provide for future operational and replacement costs using a combination of capital from existing social housing, government funding and incentives to attract additional scale private investment.

The NHHA should establish and set targets for affordable and social housing at immediate, medium and long-term projections. Australia has 9.9 million dwellings just over 5% of which are social and affordable. The targets that are needed are to achieve social and affordable housing as between 6 to 10% of all housing by 2037, staged as 100,000 properties within five years, 200,000 properties within ten years and 500,000 at the end of the period. We estimate the cost to government of the incentive required would be an additional \$1 billion per annum.

A NHHA should insist that the States and Territories at least match Commonwealth contributions with land, funding, planning measures, State-based tax reform and State incentives. The Commonwealth should continue direct funding into States but insist on a transfer of housing systems in the future to multiple providers, mainly non-profit organisations.

## **7. Affordability & Social Security**

### **Commonwealth Rent Assistance**

Housing affordability is a critical issue affected by many factors with both supply and demand facets. On the supply side we need to have a dedicated strategy to add affordable private rental supply as detailed earlier, but also to address the imbalanced support going to investors to allow more owner occupiers to relieve pressure in the private rental market. On the demand side the principal instrument of helping renters living on low incomes to meet their rental costs is Commonwealth Rent Assistance (CRA).

High housing costs are the biggest source of financial stress in many households, and the Australian Bureau of Statistics data for 2013-14 show that 34% of lower income households in private rental pay more than 30% of gross household income as rent, with 11% of these households having housing costs greater than 50% of their income. Another 10% of households are living on the edge of rental stress with housing costs consuming 25-30% of their income.<sup>xii</sup>

Increasing affordable housing supply to low income households is the best response governments can make however there is also an immediate need for relief for renters living on low incomes including the following actions:

- Increase the maximum rate of CRA payment by 30%;
  - This might be indexed to the rental component of the CPI after an examination of the most appropriate indexation<sup>5</sup>;
  - Review CRA and reform payments to address anomalies in the payment at different rates to different cohort recipients;
  - Increase the overall adequacy of CRA to ensure it meets a minimum level of affordability; and
  - Examine how CRA might vary for private rental markets in different markets.
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<sup>5</sup> This would equate to an average increase of approximate \$22 per week for tenants on the maximum payment, and would cost the Government

approximately \$750m per year.

## **Aged Pension**

The Commonwealth Government must include more of the value of high priced homes in the Age Pension assets test and the following policy changes<sup>6</sup>:

- Change the Age Pension assets test to include the value of a home above some threshold – such as \$500,000;
- Correspondingly, raise the value of assets that do not reduce the Age Pension to the same levels that applies to non-homeowners; and
- Extend the Pension Loans Scheme so that people disqualified from the Age Pension by their assets can borrow income up to the rate of the Age Pension against the security of their home.

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<sup>6</sup> <https://grattan.edu.au/wp-content/uploads/2018/03/901-Housing-affordability.pdf>

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i <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.)

ii <http://www.budget.gov.au/2017-18/content/glossies/factsheets.htm>

iii [http://www.budget.gov.au/2017-18/content/glossies/factsheets/html/HA\\_12.htm](http://www.budget.gov.au/2017-18/content/glossies/factsheets/html/HA_12.htm)

iv <https://www.ahuri.edu.au/policy/ahuri-briefs/Understanding-inclusionary-zoning>

v <https://shelternsw.org.au/sites/shelternsw.org.au/files/public/documents/3.%20Equitable%20Density%20-%20Metropolitan%20Scale.pdf>

vi An estimate based on National Housing Supply Council, Housing Supply and Affordability – Key Indicators, 2012, p22-27 & p47 Show a figure of 539,000 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. Since then we estimate the shortfall to have been reduced through additional building activity although much additional new supply is not affordable to the bottom 40% of income distribution.

vii [http://www.censusdata.abs.gov.au/census\\_services/getproduct/census/2016/quickstat/036](http://www.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/036)

viii [http://www.censusdata.abs.gov.au/census\\_services/getproduct/census/2001/quickstat/0?opendocument&navpos=220](http://www.censusdata.abs.gov.au/census_services/getproduct/census/2001/quickstat/0?opendocument&navpos=220)

ix <https://www.shelter.org.au/may-2017-release-rental-affordability-index>

x <https://www.shelter.org.au/meeting-housing-needs-policy-papers/better-lease-life-improving-australian-tenancy-law>

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<https://www.shelter.org.au/sites/natshelter/files/public/documents/The%20Australian%20Rental%20Market%20Report%20Final%20We b.pdf>

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xii Australian Bureau of Statistics (2015): 'Housing Occupancy and Costs, 2013-14, Catalogue No. 4130.0, Table 15.