



## **SUBMISSION TO INQUIRY INTO AFFORDABLE HOUSING**

**Prepared by  
National Policy Office**

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## COTA Australia

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## INTRODUCTION

COTA Australia is the national policy vehicle of the eight State and Territory Councils on the Ageing (COTA) in NSW, Queensland, Tasmania, South Australia, Victoria, Western Australia, ACT and the Northern Territory.

COTA Australia has a focus on national policy issues from the perspective of older people as citizens and consumers and it seeks to promote, improve and protect the circumstances and wellbeing of older people in Australia. Our submissions always incorporate the views of our members developed through various consultation mechanisms.

Access to affordable and appropriate housing is a key issue for older people, influencing their wellbeing, their capacity to continue to contribute and their choices about support and care as they age. Housing is a key component of the cost of living for older people, particularly for those who do not own their own homes.

The majority of older people are homeowners with around 78 per cent owning their home outright and another 6.5 per cent having a mortgage. There is some evidence from AHURI and others that home ownership is declining and the number of older people with a mortgage is increasing.

In this submission we have concentrated on the issues we believe are of particular relevance to older people. We look at the needs of older non home owners in both private and social rentals, the need for better homeless services, links with aged care, the link between home ownership and income in retirement

## ISSUES

### Private rental and older people

The private rental market is often the only option for older Australians as there is a critical shortage of public and social housing in Australia. Currently around 12 per cent of people over 65 are renters, with a third of them in public housing and two thirds in private rental accommodation.<sup>1</sup>

As this quote from one of our members shows, private rental prices are increasingly beyond the capacity of people living on income support or low incomes:

*"My wage has not matched the housing market for rental and we are being forced into a downward spiral regards accommodation."*

Housing stress is a cause of homelessness with the latest data on the use of specialist homelessness services showing that 36 per cent of clients cite reasons relating to housing affordability as the reason for needing to use the service.<sup>2</sup>

Commonwealth Rent Assistance often means the difference between having and not having a home. However, it has not kept up with the increases in private rents, particularly in metropolitan areas, and does not reflect the geographical difference in rents that people face. Whilst we see long term solutions for increasing the supply of affordable housing as critical, an increase in the CRA for the lowest income groups is an important measure as it would start to reduce the gap between the level of subsidy received by people in public housing and people in private rental who may have similar incomes and needs.

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<sup>1</sup> AIHW 2012 Older Australians at a glance 4<sup>th</sup> edition Canberra

<sup>2</sup> AIHW 2013. Specialist homelessness services 2012-13. Cat. no. HOU 273. Canberra: AIHW.

COTA believes this is an important measure that would move some of the more disadvantaged people out of the risk of homelessness.

### Supply of affordable housing

The longer term solution to housing affordability requires national action on the supply of housing. There are two aspects to the supply of affordable housing that we want to highlight.

The first is ways to encourage the private sector to develop affordable housing options. The National Rental Affordability Scheme has made a very useful contribution to increasing the supply of affordable housing, particularly in locations that are close to services. We believe there needs to be a commitment to growing it into the future.

The second looks at the supply of social housing which provides an essential part of the housing stock by providing low income people and people who are homeless or at risk of homelessness with a pathway to secure long term accommodation. It is the long term tenure as well as the low rent which make it particularly valuable to older people so they do not have to move around, can maintain links to a community and feel confident about accessing services if they need them.

There needs to be renewed investment in social housing to increase the stock of housing for low income households. COTA supports the call from ACOSS and others for a dedicated Affordable Housing Growth Fund which could be financed by the use of a Housing Supply Bond to leverage private investment into affordable housing. This funding could only be used to expand the stock of affordable housing but be flexible enough to allow housing providers to provide mixed tenure developments.

### Homelessness

COTA is concerned about the increase in homelessness amongst older people, particularly older women, and the increase in older people suffering from housing stress. There was an increase of 14 per cent between 2011-12 and 2012-13 in the number of people over 55 seeking support from specialist services.<sup>3</sup> This underestimates the number of people who are homeless or at risk of homelessness amongst older people as many are reluctant to use specialist services, particularly when they are homeless for the first time.

COTA believes there is a role for the Commonwealth and urges the government to maintain its funding commitment at the current levels in real terms. This could be done without a national agreement although getting the States and Territories to commit to a matching effort would increase its effectiveness.

However the funding is organized, there need to be measures specifically targeted to older people as the current services are often not appropriate for them and they are not identified as a priority group.

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<sup>3</sup> AIHW 2013. Specialist homelessness services 2012-13. Cat. no. HOU 273. Canberra: AIHW.

### Homeownership and retirement incomes

One of the terms of reference for the inquiry raises the link between homeownership and retirement incomes. All of the evidence suggests that older people who own their own homes are able to sustain a higher standard of living than non-homeowners. This is recognised in the asset testing system for income support payments with single homeowners allowed \$196,750 of assets in addition to their house whilst non-homeowners are allowed \$339,250 to maintain a full pension.

It is interesting to note that in the ASFA retirement standards which show the incomes people need to have either a comfortable or modest lifestyle, there is an assumption that people own their own homes. There are ongoing housing expenses which cover rates and maintenance which are estimated at around \$63.40 per week for a single person maintaining modest lifestyle and \$73.48 for someone living a comfortable life.<sup>4</sup> These amounts are well below anything people would pay in the private rental market almost anywhere in Australia and would be below some public housing rents. This shows homeownership, without a mortgage, enables people to have a better quality of life and reduces their chance of living in poverty.

There has been some discussion recently about changing the treatment of the family home in the asset test for the age pension; either through including it as an assets or reducing further the level of other assets homeowners can hold. COTA does not support including the family home in the asset test for Age Pensioners. However, there may be scope for increasing the difference between the asset holding of home and non-homeowners but this would need to be done in a way that does not offer too much of an incentive for older people to sell their homes and move into rental accommodation.

COTA is recommending an increase in Commonwealth Rent Assistance which in part addresses the disadvantage of being a non-homeowner. We also think there needs to be some more work done on the appropriate difference in asset levels that would allow non-homeowners to generate sufficient income to cover their higher housing costs.

### Relationship with aged care

The aged care reforms currently being implemented include a new set of fees and charges for both community and residential aged care. These include extending the potential for lump sum accommodation payments to all residential aged care places and a new national set of fees for community care that will increase the user contribution towards such services for many older people.

In its *Caring for Older Australians* report, the Productivity Commission recommended the establishment of the Australian Aged Care Home Credit Scheme and the Australian Age Pensioners Savings Account. These were both designed to provide flexibility and choice for older Australians on how they make their required financial contributions to aged care services

This arises from the fact that older people are homeowners and many have considerable assets tied up in their principal place of residence. It seems reasonable and equitable that some of this wealth should be used to help finance support and care.

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<sup>4</sup> [www.superannuation.asn.au/resources/retirement-standard](http://www.superannuation.asn.au/resources/retirement-standard) viewed 26 March 2014.

Again, it is worth noting that the ASFA standards mentioned above do not make provision for aged care costs although they do make provision for some health expenditure. ASFA is doing some work on standards for 80 year olds which include more health expenditures and some aged care but these are still in the development phase.

The then Government decided not to proceed with a government run process, leaving it up to the market to develop products that would facilitate this. There have been a range of products developed including traditional reverse mortgages, home equity products, fractional home sales and most recently some interest in aged care accommodation insurance products. To date the market has not come up with a product that meets consumers' needs.

COTA believes that there should be a government operated HECS type scheme for older people to borrow against their equity in their home to pay aged care services costs. Unlike HECS repayment would be guaranteed!

### Appropriate housing

COTA is pleased that the terms of reference for the Inquiry also include looking at the appropriateness of housing. Too often the only affordable housing is not appropriate, either because of its design, or its geographic position and lack of proximity to necessary services.

For people to be able to age in place successfully, the house they live in needs to be appropriate to their changing needs. For this reason COTA was part of the National Dialogue on Universal Design and is currently on the Board of Livable Housing Australia which is responsible for promoting the livable housing design guidelines for new dwellings. The Livable Housing standards are voluntary and take up has been slower than anticipated. For the moment COTA does not support making the standards mandatory but believes there need to be some more initiatives developed to encourage their adoption by both consumers and the building industry.

COTA also believes that housing built using government funds, either through a social housing or through schemes such as the National Rental Affordability Scheme, should have a requirement that dwellings meet at least the silver Livable Housing standard, to ensure some degree of accessibility.

The Livable Housing standards only apply to new dwellings and so do not address the needs of the majority of older people, home owners and renters, who live in established accommodation which is clearly not suitable for them.

Right sizing allows older people to accommodate their life as it changes, frees up housing stock for the broader community and can reduce the cost of ongoing service delivery. For homeowners there need to be some incentives to encourage them to 'right size' so that their accommodation better meets their later life needs. The research report from AHURI<sup>5</sup> looked at

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<sup>5</sup> Judd, B., Liu, E., Easthope, H., Davy, L., & Bridge, C. (2014). Downsizing amongst older Australians. AHURI Final Report No. 214.

reasons why people would want to downsize and the barriers they face. The key barriers to downsizing were housing availability and affordability. The report identifies three broad areas for future policy work including improving the supply of appropriate dwellings in the right areas, removing financial disincentives and finding ways to offer support to address psychological and practical barriers. COTA would support more work in all three areas.

The pilot program to assist with downsizing introduced in the 2103-14 federal budget attempts to address one of the financial disincentives that people face by allowing them to keep some of the capital gains from downsizing without affecting their eligibility for the age pension. COTA believes that, with some adaptation, this pilot should continue for its full three years, be fully evaluated and then could form the basis for a broader set of initiatives to encourage right sizing.

For renters there would need to be some incentives for landlords to modify existing accommodation to make it more appropriate. This could be done by extending the home modification program or through the taxation system.

### Emerging issues

An area for concern for COTA is the growth in the number of people opting to live in moveable home estates and caravan parks. These are often seen as affordable types of retirement living as they have lower capital costs than retirement villages and do not attract the same level of management and ongoing fees. They give people the chance to downsize and to sometimes have a 'sea or tree change'. This form of accommodation can give some people the chance to move from private rental into something they can own if they have a modest superannuation lump sum that they can use for this purpose.

COTA's concerns are around the lack of consumer protections for people living in this form of accommodation. They are not covered by the retirement village legislation and are not always adequately covered by the residential tenancy legislation. The recent successful campaign against the ATO draft ruling about these not being permanent homes clearly illustrates the somewhat precarious nature of their right to remain. COTA would like to see the Commonwealth work with the States and Territories to address security of tenure issues for this group and to look at ensuring they are adequately protected.

### RECOMMENDATIONS

It is clear that there are a number of issues that need to be addressed to ensure that older people have access to affordable, appropriate and secure housing.

To address these issues COTA is making the following recommendations

- *The Government increase the maximum rate of Commonwealth Rent Assistance by 30 per cent.*
- *The Government expand the National Rental Affordability Scheme by 50,000 places.*
- *The Government establish an Affordable Housing Growth Fund of \$750 million in the first year rising to \$6 billion over 5 years.*
- *The Government provide funding for homelessness services at the current level and provides adequate indexation to maintain its value.*

- *The Government establish a HECS type scheme for older people to borrow against their equity in their home to pay aged care services costs.*
- *The Government require all new housing that attracts government funding to be built to livable housing design standards.*
- *The Commonwealth work with State and Territory governments to improve the consumer protections for people living in moveable home estates and permanent caravan parks.*