

Chapter 1

Introduction

1.1 On 12 December 2013, the Senate referred an inquiry into affordable housing to the Senate Economics References Committee for inquiry and report by 26 June 2014. The Senate subsequently extended the reporting date on four occasions: first to 27 November 2014, then to the first sitting day in March 2015 and 14 April 2015 and finally to 8 May 2015. The terms of reference are comprehensive and include the following matters:

- (a) the role of all levels of government in facilitating affordable home ownership and affordable private rental, including:
 - (i) the effect of policies designed to encourage home ownership and residential property investment,
 - (ii) the taxes and levies imposed by the Commonwealth, state, territory and local governments,
 - (iii) the effect of policies designed to increase housing supply,
 - (iv) the operation, effect and future of the National Rental Affordability Scheme,
 - (v) the regulatory structures governing the roles of financial institutions and superannuation funds in the home lending and property sectors, and
 - (vi) the operation and effectiveness of rent and housing assistance programs;
- (b) the impacts, including social implications, of public and social housing policies on housing affordability and the role of all levels of government in providing public and social housing;
- (c) the impact of Commonwealth, state and territory government policies and programs on homelessness;
- (d) the contribution of home ownership to retirement incomes;
- (e) the implications for other related changes to Commonwealth government policies and programs, including taxation policy, aged care, disability services, Indigenous affairs and for state and territory governments;
- (f) the need to develop improved overview and accountability mechanisms in relation to Commonwealth grants and funding to the states and territories in order to ensure that public funding delivers outcomes consistent with Commonwealth objectives;

- (g) planning and policies that will ensure that women, particularly vulnerable women, have access to secure, appropriate, affordable and adaptable accommodation;
- (h) planning and policies that will ensure emergency and essential service workers have access to affordable housing close to where they work;
- (i) planning and policies that will ensure the availability of an appropriately skilled workforce;
- (j) the role of innovation in building materials and construction, including prefabricated and sustainable materials;
- (k) the impacts of improving sustainability (including energy efficiency) of new and existing housing stock on improving housing affordability;
- (l) the role of innovative and responsible funding mechanisms used in other countries, including the United Kingdom, United States of America, France, Canada, Austria and the Netherlands, that provide a stable and cost effective way of funding affordable rental and social housing, such as affordable housing supply bonds and an affordable housing finance corporation;
- (m) the role and contribution of the community housing sector in delivering social and affordable renting housing;
- (n) the need to increase the supply of accessible and adaptable housing, and housing that is culturally appropriate;
- (o) the impact of not having a long-term, national affordable housing plan; and
- (p) any other matters the committee considers relevant.

Conduct of inquiry

1.2 The committee advertised its inquiry on its website and in the *Australian*. The committee also wrote directly to the Commonwealth, state and territory governments, organisations, academics and other people known to be interested in housing in Australia drawing attention to the inquiry and inviting them to make written submissions.

Submissions

1.3 The committee received 231 submissions, which are listed at Appendix 1, as well as additional information and answers to a series of written questions. They are listed at Appendix 2. The committee held eight public hearings in Adelaide, Canberra (3), Melbourne, Brisbane, Sydney, and Perth. A list of witnesses who appeared is at Appendix 3.

Relevant reports and publications

1.4 In addition to the evidence presented during the inquiry, the committee relied on information and data produced in numerous reports which included Australia's future tax system (the Henry Review); the National Commission of Audit, a *New System for Better Employment and Social Outcomes* (welfare reform interim report)¹ and the Pension Review Report. It also drew on various publications by the Australian Housing and Urban Research Institute (AHURI), Australian National Audit Office (ANAO), Australian Institute of Health and Welfare (AIHW), Australian Bureau of Statistics (ABS), National Housing Supply Council (NHSC) and the Productivity Commission. A selected bibliography is provided at the end of the report.

Federation and Tax White Papers

1.5 The committee has also taken into consideration the development of two white papers that have a direct bearing on matters covered by the inquiry's terms of reference: the White Paper on the Reform of the Federation (the Federation White Paper), and the White Paper on the Reform of Australia's Tax System (the Tax White Paper).

1.6 In May 2014, the government announced that the two white papers were to be completed by the end of 2015. They would consider the spending and taxation roles and responsibilities of the different levels of government in Australia to ensure that, as far as possible, the states were sovereign in their own sphere.² A related discussion paper explained in full:

The White Paper on the Reform of the Federation is considering options to achieve a more efficient and effective federation, which supports Australia's growth and living standards. Any changes to roles and responsibilities of the Commonwealth and states and territories may have revenue and tax implications. The white paper processes on Australia's Federation and taxation are proceeding in tandem and, as such, provide a unique opportunity to inform a system-wide approach to taxation.³

Federation White Paper

1.7 Working with the states and territories, the Australian Government has committed to develop a Federation White Paper. A taskforce within the Department of

1 A final report by the Reference Group on Welfare Reform, *A New System for Better Employment and Social Outcomes*, was released on February 2015. References in this report are drawn from the interim report published in June 2014.

2 Budget Paper No. 1, *Budget Strategy and Outlook 2014–15*, Budget Overview, http://www.budget.gov.au/2014-15/content/bp1/download/BP1_BS1.pdf

3 Australian Government, *Re-think*, Tax discussion paper, Better tax system, better Australia, March 2015, p. 2, http://bettertax.gov.au/files/2015/03/TWP_combined-online.pdf

the Prime Minister and Cabinet is producing the White Paper.⁴ As part of this process, an issues paper was published in December 2014 on roles and responsibilities in housing and homelessness.⁵

Tax White Paper

1.8 The Tax White Paper is intended to provide a longer-term considered approach to tax reform that is consistent with the government's core principles of fairness and simplicity.⁶ A Tax White Paper taskforce has been set up in the Department of Treasury. A tax discussion paper was released in March 2015.⁷

Background

1.9 Every Australian has a fundamental right to an adequate standard of living including access to a safe, secure, habitable and affordable home. Australia is party to seven core international human rights treaties which uphold this right to appropriate housing. As such the Australian Government recognises that adequate housing is essential for human survival with dignity. Indeed, the Australian Government and the states and territories have entered into an agreement that has as its aspirational goal:

...all Australians [to] have access to affordable, safe and sustainable housing that contributes to social and economic participation.⁸

1.10 Recently in Australia, however, much attention has focused on housing affordability, with concerns mounting that some Australians were not only being priced out of home ownership but facing difficulties accessing appropriate housing in the rental market. This inquiry, with its comprehensive terms of reference, canvasses many aspects of affordable housing.

4 Department of Prime Minister and Cabinet, 'Reform of the Federation White Paper', <https://federation.dpmc.gov.au/about> (accessed 2 April 2015).

5 Reform of Federation White Paper, *Roles and Responsibilities in Housing and Homelessness*, Issues Paper, 2 December 2014, p. 26, https://federation.dpmc.gov.au/sites/default/files/issues-paper/Housing_and_Homelessness_Issues_Paper.pdf. See also Department of Prime Minister and Cabinet, *Reform of the Federation White Paper: a Federation for our Future*, Issues Paper 1, September 2014, https://federation.dpmc.gov.au/sites/default/files/issues-paper/issues_paper1_a_federation_for_our_future.pdf

6 Budget Paper No. 1, *Budget Strategy and Outlook 2014–15*, Budget Overview, p. 1–9, http://www.budget.gov.au/2014-15/content/bp1/download/BP1_BS1.pdf

7 Australian Government, *Re:think*, Tax discussion paper, Better tax system, better Australia, March 2015, http://bettertax.gov.au/files/2015/03/TWP_combined-online.pdf

8 Council of Australian Governments, *National Affordable Housing Agreement*, p. 3, http://www.federalfinancialrelations.gov.au/content/national_agreements.aspx (accessed 18 March 2015).

Structure of report

1.11 The report is divided into two parts—the first part of the report deals mainly with affordable housing in the context of home ownership; the second part considers affordable housing from the perspective of Australians who are unlikely to own their home and must rent.

1.12 In Part 1, the committee provides an overview of housing affordability in Australia, including detail on defining and measuring housing affordability. It determines the extent to which Australia has a housing affordability problem and its significance to Australian households. The committee also examines the role of the Commonwealth, both through its funding of affordable housing and its contribution to developing a national policy and strategic approach to affordable housing.

1.13 The committee also looks at the supply- and demand-side factors that shape Australia's housing market and considers in detail:

- relevant state and local taxes, fees and charges and their effect on housing affordability;
- zoning, planning and approval processes including land release, rezoning, infill development and densification;
- building costs, codes and regulations and innovations in construction and building materials;
- the Commonwealth tax regime as it affects housing in Australia, in particular negative gearing and capital gains tax discounts and exemptions;
- financing for home purchases, the housing investment market, lending practices and macro prudential regulation;
- home ownership in Australia—covering the social and financial benefits of home ownership, trends in home ownership, and mechanisms to help first home owners such as first home owner grants and shared equity programs; and
- older Australians and home ownership, including the assets test for the aged pension and downsizing (or 'rightsizing').

1.14 In the second part of the report the committee's focus turns to those who through necessity must rent—those whose circumstances do not extend to home ownership. It considers the Australian rental market, the supply of rental properties, the costs of renting, the growing disparity between rents and income, the changing profile of the rental market, and the challenges and difficulties that low-income earners experience in accessing suitable accommodation. The committee looks at the level of rental stress in the community, the security of tenure for Australian renters and their rights as tenants.

1.15 Recognising that for some Australians the private rental market cannot deliver affordable and appropriate housing, the committee examines options provided by

social housing. In this context, the committee considers both public and community housing, the particular attributes of each sector, the waiting lists for such accommodation and the incentives for the tenants of public and community housing to remain in their rental properties. The committee looks at the transfer of public houses to the community housing sector, the contribution that community housing makes to affordable housing, the potential for it to increase the supply of affordable houses and the challenges for community housing providers to finance the maintenance and development of their properties.

1.16 Having established the difficulties confronting low-income earners to access affordable and appropriate rental houses, the committee considers the challenges that Australians with particular needs face in finding a safe, secure and affordable home. They include older Australians dependent on income support, women and children experiencing or under threat of domestic violence, people with a long-term health condition or disability, young unemployed Australians, migrants and refugees and Indigenous Australians. The committee then looks at the most extreme manifestation of housing stress—homelessness. It considers what is meant by homelessness, the nature and magnitude of the problem and what is being done to help people out of homelessness and to keep them in safe and secure accommodation.

1.17 The committee analyses and evaluates the principal forms of Commonwealth assistance and the partnership agreements it has with the states and territories to improve access to affordable housing. In particular, the committee examines:

National Affordable Housing Agreement (NAHA)—a broad ranging housing agreement which commits a significant amount of Commonwealth funding to the states and territories through a national specific purpose payment. The agreement provides the overarching framework within which the Commonwealth and states and territories work together to 'improve housing affordability and homelessness outcomes for Australians'.

National Partnership Agreement on Remote Indigenous Housing (NPAIH)—an agreement between the Australian Government and the states and territories with the principal aim of ensuring that Indigenous Australians have the same housing opportunities as all Australians. It is a subsidiary agreement to NAHA designed to address significant overcrowding, homelessness, poor housing and severe housing shortages for Indigenous communities.

National Partnership Agreement on Homelessness (NPAH)—an agreement between the Australian Government and the states and territories, which focuses on prevention and early intervention to stop people becoming homeless, breaking the cycle of homelessness and improving and expanding the service response to homelessness. The agreement has two headline objectives:

- halve overall homelessness by 2020; and

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- offer supported accommodation to all rough sleepers who need it by 2020.

National Rental Affordability Scheme (NRAS)—a partnership between the Australian Government and the states and territories to invest in affordable housing. It was designed to stimulate and add to the supply of affordable housing by offering annual financial incentives to private investors and community organisations to build and rent homes to low- and moderate-income households at a rate at least 20 per cent below market rates.

Commonwealth Rent Assistance (CRA)—recognises that many renters in private or community housing are struggling to pay high rents. It is intended to ensure that adults with limited means can afford to live in rental housing that satisfies adequate standards. CRA payments are provided to eligible income support recipients, which involves a base payment to certain households to help them meet basic living needs. It is paid at the rate of 75 cents for each dollar above the rent threshold up to a maximum rate.

1.18 Finally, the committee looks at the role of the Commonwealth as both an investor in, and enabler of, affordable housing. The committee's main focus in this section, however, is on efforts to attract institutional investors into affordable housing.

Acknowledgements

1.19 During the course of this inquiry, the committee has benefitted greatly from the participation of many individuals and organisations located throughout Australia. The committee thanks all those who assisted with the inquiry, especially witnesses who put in extra time and considerable effort to appear before the committee.

