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FOR AUSTRALIAN
WOMEN



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SUBMISSION

PARLIAMENTARY STANDING COMMITTEE ON PUBLIC WORKS

PROPOSED DEVELOPMENT AND CONSTRUCTION OF HOUSING FOR DEPARTMENT OF DEFENCE AT MUIRHEAD DARWIN NT

The NFAW and the YWCA of Australia, together with the YWCA of Darwin, have a keen interest and concern to see an expansion of affordable rental housing for the benefit of households of low to moderate income - a group which includes female headed families with children, key workers such as those actually employed by the community services of the YWCA itself, nurses, apprentices, ambulance employees, and mature single women who are approaching retirement without adequate savings and who are renters.

YWCA Australia is the national association of YWCAs in Australia and is part of the world YWCA movement. We are a women-led organisation that achieves positive change by providing advocacy, programs and services for women, families and communities. YWCAs undertake advocacy and deliver programs and services that develop the leadership and collective power of women and girls; support individuals, their families and communities at critical times; and promote gender equality and community strengthening. A number of YWCAs around Australia are involved in the provision of affordable housing – for the most part social housing. YWCA of Darwin, who have contributed to this submission, are providers of youth crisis and medium-term housing in Darwin, and have a detailed understanding of the shortage of affordable housing in the Top End.

The National Foundation for Australian Women (NFAW) is dedicated to promoting and protecting the interests of Australian women and girls and ensuring that the aims and ideals of the women's movement and its collective wisdom are handed on to new generations of women (see www.nfaw.org).

The NFAW and the YWCA are active participants in the affordable housing project of the combined National Women's Alliances (see separate Attachment to this Submission titled Women & Housing Security: Project Update).

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In the course of the affordable housing project to date it has become clear that the Commonwealth's National Rental Affordability Scheme (NRAS) is an extremely important vehicle, and we welcome the recent announcement of its extension by the Prime Minister. We will be making further representations to Ministers about a renewed national housing affordability strategy.

We have taken careful note of the development of the Defence Housing Authority (DHA) as a major land and property developer and manager, and its remarkable success in stimulating private retail investment in the provision of housing for Defence Force members and their families.

We believe there is much to learn from the DHA experience which has applicability to a national affordable housing strategy for the generality of Australians.

It is also evident that while the NRAS is a valuable (albeit improveable) strategy, the availability of land for construction of affordable housing, especially in major cities, is an impediment to expansion of affordable housing. DHA now has demonstrated its capacity to acquire and develop large tracts of land, and quite properly wishes to come to arrangements with other housing providers to assist the development of mixed rather than all defence communities.

The specific Darwin proposal is a very practical example of such capacity.

We strongly endorse the proposal put by the DHA in its submission.

We would however suggest that further consideration be given to addressing some of the ongoing affordability challenges within the current model. The Lyons subdivision project saw properties being sold for between \$500-900,000. Applying the affordable housing ratio of 75-80% of the market value in this context still results in expensive housing. Solutions that could be considered include consideration of higher density development within the sub division (which would have the added benefit of addressing planning issues around urban sprawl and public transport servicing); and the development of more affordable designs (for example, consideration of dwellings with 1-4 bedrooms).

We consider that there would be merit in a national housing affordability strategy tasking the DHA as the land developer for the Commonwealth, to acquire suitable land, and make it available to new NRAS providers. There would be merit also in an examination of the current 'land rental' program of the Australian Capital Territory Government to see if some of the 'land bank' could remain in Commonwealth hands for use in a 'land rental' program. This would also address concerns, identified by YWCA of Darwin, that the cost of land in the Lyons sub-division was prohibitive and undermined the intention of the affordable housing strategy adopted by NT Government.

Rental Housing

At any time, approximately one third of Australian households will be renters. Renters are likely to be concentrated in the bottom two income deciles regardless of family structure, and will also include single parent families, young people pre-family formation, household units seeking mobility because of workforce requirements, and long-term single person units and retired persons.

The recent Ministerial Discussion Paper on Regulation and Growth of the Not-for-Profit Housing Sector⁴ states:

“Australia urgently needs to expand the stock of affordable rental housing. The housing supply gap is having a direct impact on housing affordability for both renters and home purchasers. Most of this impact is on low and moderate income earners who were not home purchasers before the housing boom commenced in the late 1990s”

Affordability of the private rental housing market has declined in the last 12 years, particularly for those households on low or fixed incomes.⁵ Key workers and households on moderate incomes are having difficulty saving with rising rents and increasing house prices. In 2006, the estimated shortfall in the supply of affordable rental housing was around 251,000 dwellings.⁶

3. Current Policy Approaches in Australia

In the decade to 2008, social housing (previously called public housing) was under the Commonwealth State Housing Agreement and placed primary emphasis on housing people with high needs for the duration of their need. Consistent with this philosophy, the programs delivered under these agreements centred on public rental housing and other targeted housing assistance.

However, the policy context changed in 2008 with social housing programs combined with services for the homeless and broader ‘affordable housing’ initiatives, all under the Commonwealth-State **National Affordable Housing Agreement (NAHA)**⁷. NAHA differentiates between:

1. measures to support rental housing for low income earners with identified issues (social housing);
2. the **National Rental Affordability Scheme (NRAS)**⁸ which provides incentives to developers to construct and rent affordable housing for low income tenants (see below for more information);
3. general measures to encourage and support home ownership.

Each State and Territory has developed its own approach within the Council of Australian Government framework.

Social (formerly Public) housing is one part of the *National Affordable Housing Agreement*. Social Housing encompasses the publicly owned or leased dwellings administered by state and territory governments. It provides appropriate, affordable and accessible housing for largely low income

⁴ Commonwealth of Australia, Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA), 2009, Discussion Paper on Regulation and Growth of the Not-For-Profit Housing Sector. <http://www.fahcsia.gov.au/sa/housing/pubs/homelessness/not-for-profithousingsector/Pages/default.aspx>

⁵ Australian Government, National Housing Supply Council, 2009, State of Supply Report, p91.

⁶ Chapter 1 The Shortage of Affordable Housing http://www.fahcsia.gov.au/sa/housing/pubs/homelessness/not-for-profithousingsector/Pages/affordable_housing.aspx

⁷ A *National Housing Affordability Agreement (COAG)*; National Partnerships with States on Homelessness (\$400m); Social Housing (\$800m); Remote Indigenous Housing (\$5.5b over 10 years); Housing Affordability Fund (\$512m); Boost Social Housing by 20,000 properties (\$5.65b); create 50,000 affordable rental properties through NRAS (\$1b over 10 years).

⁸ <http://www.fahcsia.gov.au/sa/housing/progserv/affordability/nras/Pages/default.aspx>

households who are in housing need. Rents are typically set at a maximum of 25% of tenant income. At 30 June 2008, there were around 330,000 households in public housing, who received an aggregate subsidy of around \$1.6 billion. In most jurisdictions these housing authorities are also leasing some dwelling stock to not-for-profit community organisations for day to day management. *Community housing* is a type of social housing administered by the not-for-profit sector for around 30,000 low-income households. Eligibility for community housing is determined by the provider, but is generally based on criteria similar to those for accessing public housing. *Indigenous social housing* programs are also administered by state and territory governments but are targeted specifically to households with at least one Indigenous member.

Affordable rental housing comes under the *National Rental Affordability Scheme (NRAS)* within the *National Affordable Housing Agreement*. Under the NRAS, rental housing can be constructed and or managed by private/for-profit as well as by community or not-for-profit entities. NRAS seeks to address the shortage of affordable rental housing by offering financial incentives to the business sector and community organisations to build and rent dwellings to low and moderate income households at 20% below-market rates for 10 years. NRAS aims to:

- increase the supply of new affordable rental housing;
- reduce rental costs for low and moderate income households; and
- encourage large scale investment and innovative delivery of affordable housing.

Currently around half of the existing 1,000 units approved through NRAS (rounds 1 and 2) are operated by the not for profit or community sector, and the remainder by commercial construction and housing rental bodies. (Government efforts to generate private investment to complement incentives through the NRAS have been slow to be effective. The round 3 results for greater than 1000 dwelling may see greater takeup from private investment). Policy permits dwellings to be on-sold to other investors. The NRAS administration plans an annual data collection from owners to ensure compliance with the terms of the NRAS. NRAS administrators have conveyed a willingness to explore means of providing through this compliance measure annual gendered data on NRAS tenancies.

The initiatives by the Rudd Government to stimulate provision of social housing through States and Territories, and to promote affordable rental housing through the NRAS are some of the first such initiatives in stimulation of rental housing for several decades. The Rudd-Gillard Governments have committed over \$13billion in new funding towards affordable housing programs, including creation of an additional 70,000 properties by 2014. During the 2010 election the Prime Minister announced a *Building Better Regional Cities Fund* of some \$500m to improve housing access in regional cities (rental and ownership).

4. What do we know about Women and Housing?

Most housing supply data is not gender disaggregated, apart from those relevant to crisis accommodation. However, **given women's generally lower incomes than those of men** (influenced by the gender wage gap, and intermittent and part-time work-force attachment as well as occupational segregation into lower income industries), it is evident that women will tend to be clustered in the lower income deciles, and presence in these is a feature of renters.

Moreover, recent figures show that women's superannuation balances are less than half of those of men.⁹ As a result, many women are solely or largely reliant on the Age Pension in retirement. **If these women are not home owners as they enter retirement they are likely to be renters and to experience housing stress.**

⁹ Clare, Ross, 2008. Retirement Savings Update. Sydney, Association of Superannuation Funds of Australia. <http://www.superannuation.asn.au/Reports/default.aspx>

A number of studies have found that **women's housing security and economic position tends to decline with divorce and separation**. A number of observations have been made¹⁰:

- Women with children and people over 50 are particularly prone to housing stress after marriage dissolution and improvement in housing affordability is lower for these groups;
- Women with higher income earning capacity more readily leave their marriages but are more likely than men to experience precarious housing circumstances once their marriages have been dissolved;
- Divorce and separation is more likely under the age of 50, and is more common among renters;
- Divorced or separated women are more likely to be renting;
- Women are more likely to lose home ownership as a result of separation or dissolution;
- Some women explicitly link their housing to partnering (or swapping sex for somewhere to sleep).

ABS projections (Series II) suggest that, **by 2026 about 907,000 people aged 75 years and over will be living alone, most of them older women (685,600)**.¹¹

5. Australia's Future Taxation System – Housing Recommendations

Appendix A summarises the recommendations related to housing in the *Report on Australia's Future Taxation System*. The Government is yet to provide a response to these recommendations. An overall recommendation from the Tax Review is to increase public discussion on housing supply options, which this project hopes to achieve, with specific focus on housing for women.

The Community Organisations Housing Alliance, COHA, made up of ACTU, ACOSS, Community Housing Federation of Australia, Homelessness Australia and National Shelter has been formed with the purpose of advocating for housing solutions for low and moderate income households and households experiencing homelessness. COHA calls for the Government to implement the recommendations of the Tax Review in relation to housing and transfer payments in order to rebalance the tax treatment of housing. However, a gender impact of the Henry Tax Review recommendations on housing needs to be conducted, to ensure that women's needs in housing will be met.

6. Progressing the Women and Housing Security Project

The project was commenced in August 2010, with the establishment of an advisory group of representatives from the women's movement and community housing.

Initial discussions have commenced with key stakeholders, including:

- The Affordable Housing Division of FAHSCIA (since moved to new portfolio of Sustainability, Environment, Water, Population and Communities – Minister Tony Burke MP)
- Shelter ACT
- Community Housing Canberra P/L
- ACOSS
- Community Housing Federation of Australia.
- Australian Housing and Research Institute (AHURI)
- Australian Domestic Violence and Family Violence Clearing House
- National Homelessness Information Clearinghouse.

¹⁰ A Predictable Crisis, Older Women as the New Face of Homelessness, Sharam A., Swinburne Institute of Technology 2010

¹¹ Ibid., p. 11.

Given the scale of the unmet demand for affordable, accessible rental housing, and the lack of gender analysis and data related to affordable housing, the project will centre on two main activities:

1. Gender Analysis

Gather data, information and case studies to illuminate the position of women of all ages in the housing market. Key stakeholders will be invited to share research and data. The project has a modest amount of funds available to commission AHURI research if needed.

2. Proposals to improve and expand access to affordable rental housing

There is a need to explore options to improve and expand the Commonwealth NRAS (and other schemes) which would increase development of accessible affordable rental housing and lead to increased security for long term rental arrangements. There is also a need to investigate how to generate expanded private investment to take advantage of Commonwealth NRAS incentive arrangements.

The project is proposing a high level seminar-workshop in March 2011 to discuss improvements to NRAS, including options to increase private investment in NRAS. The event would bring together expertise in finance, town planning, building design, and other interested parties together with Government policy makers.

This would be followed by subsequent workshops with private enterprise and community providers, with an emphasis on better outcomes for single person and female headed family households.

Another useful measure to generate a higher level of understanding of the issues of housing security for women among Federal parliamentarians and the public more generally, would be to **encourage the formation of an Australian Parliamentary All Party Group on Affordable Rental Housing**. This could parallel other All Party groups (such as that on Diabetes Support, and Population and Development¹²). It would require informal agreement and participation by major Parties and cross-bench groups.

7. For More Information

For more information about the Women and Housing Security Project, to share comments on this Project Update, or to register interest to join the project please contact:

- Marie Coleman, Chair, Social Policy Committee, National Foundation for Australian Women mariecoleman@nfaw.org, 0414 483 067
- Kathy Richards, Manager Equality Rights Alliance, era@ywca.org.au, 02 6230 5152

¹² <http://www.pgpd.asn.au/>

APPENDIX A:

Housing Recommendations from *Australia's Future Tax System Review*

The following are selected and relevant passages from the final report of *Australia's Future Tax System Review* related to reforms to increase affordable and accessing housing (see http://taxreview.treasury.gov.au/content/Content.aspx?doc=html/pubs_reports.htm).

8. Toward more affordable housing

Over the past decade, large parts of Australia have experienced worsening housing affordability problems. Rising housing prices have been underpinned mainly by rising residential land values (with high construction costs contributing in some cases, particularly in remote areas).

While the overall demand for housing is increased by favourable tax and transfer provisions particularly for owner-occupied housing, these provisions are of very long standing and have deep community support. The sharp deterioration in affordability in recent times is more likely to reflect demand and supply factors such as high rates of immigration and household formation and government land use policies.

The Review anticipates continued strong population growth and continued overall favourable tax-transfer treatment of owner-occupied housing. On that basis it has considered whether other features of the tax and transfer systems are appropriately configured to maintain fairness and efficiency in housing markets. It proposes a series of changes that would improve equity and market efficiency — but policy changes outside the tax and transfer systems will be necessary to better match aggregate housing supply and demand if overall housing price pressures are to be alleviated.

Key directions

- Maximum rates of Rent Assistance for income support recipients should be substantially increased and linked to movements in market rents.
- Subject to transition arrangements, public housing rent concessions should be replaced by Rent Assistance and a new form of assistance for high-needs tenants, to improve equity and work incentives.
- Over a long transition period, a land tax should be introduced on all land on a more efficient and uniform basis linked to unit land values, removing disincentives for institutional investment in rental property and integrated over time with property rate assessments.
- Over a similar period, transfer taxes on property should be reduced, and ultimately removed, with revenues replaced by efficient taxes, preferably annual land tax.
- Subject to transitional provisions, and following action to improve the current shortfall in housing supply, a more neutral personal income tax treatment of private residential rental investment should be introduced, with less volatile market effects, through a 40 per cent discount on all net residential rental income and losses, and capital gains.

Rising expectations about community living standards

Over the past decade, housing affordability and vacancy rates for rental accommodation have declined over large parts of Australia. The sharp deterioration in affordability reflects an emerging housing shortage due to rising demand and constraints in supply. The housing market is expected to remain tight over the next few years. Concern is also being expressed about the existing arrangements for accessing public housing. Rationing of public housing can lead to inequitable outcomes, result in a poor alignment between housing and need, and discourage tenants from working or moving.

Individuals and the business community are demanding higher standards of education at all levels and greater access to higher education. Retraining can be an important step in re-entering the labour market during periods of economic adjustment.

While many policies affecting these issues are beyond the Review's terms of reference, the design of the tax and transfer system is relevant to them all. At a minimum the tax system will need to fund community access to these services. The design of the tax and transfer system may also influence how people pay for these services and the level of assistance they receive to acquire them, or assist people to save so they can afford them.

Box 6.1: Housing affordability

Access to affordable housing is a key policy issue for the Australian community that is likely to grow in importance. Government policies have traditionally treated owner-occupied housing as a preferred housing tenure. This approach reflects the desire of most Australians to own their home and recognises the benefits ownership can deliver to both the community and owners, such as through greater security in retirement. The approach in this Report is consistent with this policy goal. On that basis the Review has considered whether other features of the tax and transfer system are appropriately configured to meet pressures in the housing market.

Measures of housing affordability emphasise different aspects of the problem, but all reflect the price of housing and people's means to pay for it. The transfer system has a key role in ensuring that low-income earners can access an adequate standard of housing, and reforms to housing assistance will promote affordability in this regard. For purchasers, affordability is constrained by prices that are high relative to average income levels. While high prices can result from increases in housing demand, they can only be sustained when supply is not responsive. Evidence suggests that the current supply of housing is at insufficient levels, placing ongoing pressure on house prices.

The recommended reforms to stamp duties and land tax in particular should reduce current impediments to housing supply generated by the tax system. However, as taxation is not the major source of supply constraints in the Australian housing market, housing affordability would be best promoted through wider reforms that facilitate housing supply. Following these reforms and improvements to housing assistance, the taxation of investment housing should be reformed to ensure a more neutral treatment of rental property investment. While these reforms will address the significant distortions the tax system has on the housing market, a range of non-tax policies have a more significant impact on housing supply and affordability.

Housing supply can be restricted through a range of policies, such as planning and zoning regulations, as well as the approvals processes that govern them. However, such policies are designed to achieve a range of policy objectives, against which their impact on the price of housing should be assessed. The use of infrastructure charges has the potential to improve the allocation of infrastructure. However, where they are not set appropriately, infrastructure charges can reduce the supply of housing, and increase overall house prices.

While they may promote housing affordability, proposals that increase housing supply may reduce existing home values and change the shape of Australian cities in ways that many existing residents do not desire. This suggests a serious community dialogue is needed on the distribution and quality of housing across Australia. As a first step, the Council of Australian Governments should review zoning, planning and development approval policies and infrastructure charges to ensure they do not unnecessarily reduce housing supply.

9.5 Housing assistance

Access to adequate housing is integral to a decent life enabling full participation in society.

Including Rent Assistance as part of the income support system allows assistance to be targeted to need and delivered in a way that does not discourage workforce participation. However, the current maximum levels of assistance are too low for many people to secure an adequate standard of housing. Further, indexation of assistance to the Consumer Price Index means that assistance is not well targeted over time, leaving recipients to bear the risk of rent fluctuations.

Rent Assistance should be increased so that assistance is sufficient to support access to an adequate level of housing, and indexed to market rents.

Rent Assistance should also be extended to public housing tenants, with tenants charged rents that reflect market rates, subject to grandfathering or other transitional arrangements.

Public tenants currently receive a higher average level of assistance than private tenants, with assistance poorly targeted to need. As most public tenants have similar means to recipients of Rent Assistance, the large difference in assistance levels is inequitable. The gap in assistance leads to rationing of access to public housing through queuing and can lead to poor outcomes for tenants in the long-term.

The use of queues to ration public housing and income-based rent setting discourages workforce participation. Further, public housing funding neither effectively targets assistance, nor encourages the use of the housing stock in ways that reflect the needs of clients.

Social housing providers should receive a new source of funding for tenants with high housing needs, such as those with high costs due to disability or people likely to face discrimination in the private market. The payment would be based on the needs of recipients and directed by them to providers of their choice. In combination with Rent Assistance, this assistance would encourage the formation of a more dynamic social housing market that would reduce reliance on the current system of block grants.

The Australian government and the States should retain the option of providing capital for social housing provision.

Land tax and conveyance stamp duty

Recommendation 51: Ideally, there would be no role for any stamp duties, including conveyancing stamp duties, in a modern Australian tax system. Recognising the revenue needs of the States, the removal of stamp duty should be achieved through a switch to more efficient taxes, such as those levied on broad consumption or land bases. Increasing land tax at the same time as reducing stamp duty has the additional benefit of some offsetting impacts on asset prices.

Recommendation 52: Given the efficiency benefits of a broad land tax, it should be levied on as broad a base as possible. In order to tax more valuable land at higher rates, consideration should be given to levying land tax using an increasing marginal rate schedule, with the lowest rate being zero, with thresholds determined by the per-square-metre value.

Recommendation 53: In the long run, the land tax base should be broadened to eventually include all land. If this occurs, low-value land, such as most agricultural land, would not face a land tax liability where its value per square metre is below the lowest rate threshold.

Recommendation 54: There are a number of incremental reforms that could potentially improve the operation of land tax, including:

1. ensuring that land tax applies per land holding, not on an entity's total holding, in order to promote investment in land development;
2. eliminating stamp duties on commercial and industrial properties in return for a broad land tax on those properties; and
3. investigating various transitional arrangements necessary to achieve a broader land tax.

E4 — Housing affordability

Recommendation 69: COAG should place priority on a review of institutional arrangements (including administration) to ensure zoning and planning do not unnecessarily inhibit housing supply and housing affordability.

Recommendation 70: COAG should review infrastructure charges (sometimes called developer charges) to ensure they appropriately price infrastructure provided in housing developments. In particular, the review should establish practical means to ensure that these charges are set appropriately to reflect the avoidable costs of development, necessary steps to improve the transparency of charging and any consequential reductions in regulations.

F5 — Housing assistance

Recommendation 102: The maximum rate of Rent Assistance should be increased to assist renters to afford an adequate standard of dwelling. To ensure that Rent Assistance can be maintained at an adequate level over time, the rent maximum should be indexed by movements in national rents, which could be measured by an index of rents paid by income support recipients.

Recommendation 103: To better target an increase in the maximum rate, Rent Assistance should be part of the income support system, with eligibility based on rent paid and the income support means test, rather than on eligibility for another payment (for example, Family Assistance).

Recommendation 104: Mechanisms should be developed to extend Rent Assistance equitably to public housing tenants along with removing income-linked rent setting in public housing.

Recommendation 105: A high-need housing payment should be paid to social housing providers for their tenants who have high or special housing needs or who may face discrimination in the private market. This payment should be funded by the Australian government. The Commonwealth and the States should retain the option of providing capital for social housing construction.

Recommendation 106: Income-linked rents should be phased out in social housing, with providers charging their tenants rents linked to the market rate, with existing rent-setting for current tenants phased out using grandfathering or other transitional arrangements. However, continued use of income-limited rents is appropriate in some circumstances, such as in remote Indigenous communities.