



Senate Economics Legislation Committee: *Inquiry into Treasury Laws Amendment (Reducing Pressure on Housing Affordability Measures (No.2)) Bill 2018 [Provisions] and Foreign Acquisitions and Takeovers Fees Imposition Amendment (Near-new Dwelling Interests) Bill 2018 [Provisions]*

Submission – March 2018



Introduction

PowerHousing Australia welcomes the opportunity to provide feedback to the Senate Economics Legislation Committee in reference to the Inquiry into Treasury Laws Amendment (Reducing Pressure on Housing Affordability Measures (No.2)) Bill 2018 [Provisions] and Foreign Acquisitions and Takeovers Fees Imposition Amendment (Near-new Dwelling Interests) Bill 2018 [Provisions].

The growing issue of housing unaffordability poses a significant challenge to Government, advocacy groups, not-for-profits and low-to-moderate income earners. With 1 in 5 households recording income of less than \$650 per week, stagnant wage growth and rising rents have increased the national rate of rental stress.ⁱ The number of people experiencing homelessness and on waiting lists for social housing has also increased significantly, while the pool of publicly-funded social housing has shrunk.ⁱⁱ

As recorded by the Productivity Commission, 'the number of public housing households has decreased over the last decade (331,136 in 2008 to 310,483 in 2017), [while] there has been an increase in the number of households in community housing, from 35,043 to 75,634'.ⁱⁱⁱ This in part reflects transfer of some public housing stock (management and/or title) to the community housing sector in line with Government policy to expand the role of community housing in the provision of affordable housing.

Alongside other Federal and State initiatives, the *Reducing Pressure on Housing Affordability Measures* legislation represents a crucial step in ensuring future investments into Australia's affordable housing and related infrastructure projects. This legislation in conjunction with several other recent policy changes at all levels of Government has the potential to substantially increase the national supply of social and affordable housing.

Whilst Australia is currently building 220,000 dwellings per year which is 60-70,000 dwellings more than the average annual build rate^{iv}, there needs to be a national focus on incentivising the delivery of affordable housing at reasonable price points. As housing supply drops from a startling 220,000 plus current home starts a year to long term averages of around 160,000, it is plausible that community housing could make up 5-10 percent of the total build rate which will drive a new economic input vital for trade jobs, and create long lasting social outcomes. Creating an average annual build rate of around 180,000 dwellings per year is obtainable if there is policy attention to areas such as affordable housing delivery.

The 2017 Budget provided a renewed Federal focus on housing and this first salvo being implemented is required if there is to be a range of additional measures which will be needed to assist across the housing delivery spectrum.

Our submission comments on the following key element:

1. *The provision to provide an additional affordable housing capital gains discount of up to 10 per cent if a CGT event occurs to an ownership interest in residential premises that has been used to provide affordable housing.*

PowerHousing Australia and its Membership

PowerHousing Australia was formed in 2005 when leading Community Housing executives recognised the value of collaboration and information-sharing in addressing the housing affordability crisis. PowerHousing facilitates a national network of 30 Member Community Housing Providers (CHPs) and partners with 15 national/international developer, financial and sector affiliates.

PowerHousing assists our members in increasing the supply of affordable housing and delivering excellent tenancy and asset services within a community building model. We do this by facilitating regular opportunities for members to network and exchange knowledge, such as at our Annual Member Exchange amongst other networking and collaborative opportunities. Based in Canberra, we are well-located to promote the capacity of members and represent their policy positions to the Federal Government and other stakeholders.

PowerHousing is a member of the International Housing Partnership which brings together housing organisations across the UK, USA, Canada and Australia to collaborate, share best practice and build knowledge.

Our ASIC- and ACNC-regulated members develop, own and manage social and affordable housing, providing housing worth over \$15.9 billion to more than 82,000 Australians on moderate to very low incomes, with great levels of tenant satisfaction.^v

PowerHousing's growing members are projected to have raised over \$700 million of debt facilities in 2017-18.^{vi} In New South Wales alone, our members represent over 80 per cent of registered Community Housing stock.

As demonstrated with the landmark Ivanhoe Estate redevelopment project in Sydney, our CHPs are successfully partnering with large-scale developers to increase the national supply of social and affordable housing. Profits are reinvested into acquiring, developing and managing properties and programs designed to increase the amount of affordable housing and address housing need.

The value, experience and capacity that CHPs bring to the table as we legislate for Australia's housing affordability challenge cannot be overstated.

Element of the Submission

1. Reducing Pressure on Housing Affordability Measures (No.2) Bill 2018 [Provisions]

Specifically, our submission focuses on the stated provision to *provide an additional affordable housing capital gains discount of up to 10 per cent if a CGT event occurs to an ownership interest in residential premises that has been used to provide affordable housing*. This is a discount additional to the current CGT discount of 50 per cent.

PowerHousing Australia broadly supports the suite of measures announced in the 2017-18 Budget designed to improve affordable housing outcomes for Australians on low- to moderate-incomes. There are incentives for investors - in the form of an increased capital gains tax windfall which offsets the reduced rent - to purchase and provide housing at or below market rents which will encourage supply over a sustained period.

Most projects struggle with upfront costs, and the discount is not realised until the property is sold.

While foreign investments have not directly impacted our sector, changes to CGT discounts could increase investment into the affordable housing sector. Particularly combined with a new affordable housing Managed Investment Trust there is greater scope that foreign persons will invest into the provision of affordable housing. Foreign Investors have largely assisted with the record stock that is now being built and concerns over the stock not reaching those that need a home and activation of streetscapes by residents is noted in the budget, however this wash of foreign funds could be focused on an MIT structure for affordable housing aided by the additional CGT discount.

CGT extension is not available to superannuation funds or public unit trusts. This seems like a flaw; the main users of the MIT are meant to be institutional investors like superfunds (even with their concessional tax rate it is some benefit).

Recommendation: PowerHousing and our membership broadly support any measures that will incentivise investors to invest in the sector. Our sector appreciates the 10 per cent discount and recognises that the 10 per cent discount, when added to the current 50 per cent discount, will further incentivise investment into affordable housing.

The scheme could be altered to incentivise longer term, less transient stock if a further 10 per cent (or more) discount were considered for investors holding properties to 10 years or longer.

It would also be expected that the 60 per cent aggregate discount for affordable housing would be quarantined at this level in the event that the general 50 per cent rate was reduced.

Conclusion

The Turnbull Government has today laid out the framework for a potential long-term solution to the challenges posed by housing in Australia's rapidly changing market.

A CGT discount that incentivises longer-term holdings, as well as other policies pursued by the Federal Government in conjunction with initiatives currently being undertaken at the State level, has the potential to vastly improve the lives of many Australians struggling to secure affordable housing – from those working to save for a first home, to those struggling to meet market rent expectations, to those seeking stable housing options.

Legislating for and introducing the right structures for scale investment in and development and management of social and affordable housing is critical to further enabling CHP sector capacity and increasing the availability of affordable housing.

Ultimately, cooperation and continued collaboration between the Commonwealth, States and Territories, peak bodies, private industries and other not-for-profits will ensure innovative solutions are found to address nationwide problems of affordable housing provision in Australia.

PowerHousing members will continue working with Federal, State and Territory Governments, private industry and affiliates to build Community Housing Sector capacity and increase the supply of affordable housing.

PowerHousing and our members look forward to continued consultation with the Government around these bills and other housing measures.

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ⁱABS. 2016 Census (Released 27 June 2017).

ⁱⁱProductivity Commission 2017, *Report on Government Services*, Volume G, Canberra: PC.

ⁱⁱⁱProductivity Commission 2018, *Report on Government Services*, Volume G, Chapter 18, pp18.4, accessed 23 Jan 2018, <<https://www.pc.gov.au/research/ongoing/report-on-government-services/2018/housing-and-homelessness/housing/rogs-2018-partg-chapter18.pdf>>

^{iv}ABS. 2016 Census (Released 27 June 2017), *8752.0 - Building Activity, Australia, Dec 2016*. For more info: <www.powerhousingaustralia.com.au/wp-content/uploads/2017/10/Affordbale-Housing-Report-EScan-July-2017.pdf>

^vPowerHousing Australia 2017, *Annual Report*, Canberra

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