



The National Affordable Housing Agreement: A community housing perspective

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Table of Contents

Summary of key recommendations	4
Preamble.....	6
Purpose	6
Background and timelines.....	6
Parallel processes	8
Discussion	8
Introductory notes	8
Key elements of a National Affordable Housing Agreement	9
Targets.....	9
Phased implementation.....	10
Funding	10
Operational Principles	10
Safeguards	12
Research and Data Collection.....	12
Evaluation.....	13
Coordination across other SPPs	14
Conclusion.....	15
Appendices	17
Summit group material.....	17
Appendix 1: Growth targets and financing arrangements for a NAHA.....	18
National Rental Housing Advocacy Day material	21
Appendix 2: National Rental Housing Advocacy Day Position Statement.....	22
Appendix 3: National Housing Advocacy Day Background Paper.....	24

Summary of key recommendations

Targets

- 1 The NAHA should adopt a series of goals and targets, and supports those proposed by the Summit group. If goals and targets are included in the NAHA, they will drive the Agreement to relate to broader policy objectives, rather than just operating as a funding arrangement.
- 2 Any goals and targets adopted in the Agreement should be signed off by the National Housing Supply Council.

Phased implementation

- 3 There should be a phased roll out of the Agreement, focusing on policy areas where there is the greatest need for change.

Funding

- 4 The NAHA will need to clearly separate capital funding from ongoing funding
- 5 The level of funding in the NAHA must have a provision for indexing and growth.

Operational principles

- 6 A more sturdy and consistent regime of tenancy regulation across state and territory governments is an item that should be given consideration.
- 7 The NAHA should include a Statement of Principles that articulates a number the broader policy and operational goals of the Agreement.
- 8 The same rules must apply for all AHPs. This includes the need for a consistent regulatory environment and for regulators to be clearly separated from the people they are regulating. The current process of developing a national regulatory framework should be refocused to encompass a broader suite of potential providers, and have a greater focus on the operating environments of housing providers, and the outcomes for tenants.
- 9 The Agreement must clearly acknowledge the need for capacity building for the NFP sector.

Safeguards

- 10 The NAHA should have a range of safeguards build into it to protect the amount of public or not-for-profit funded stock in the system.
- 11 The role of non-growth providers and organisations that have high operating costs due to their location or target group should be recognised in the new Agreement.
- 12 CHFA recommends that the issue of amalgamations and consolidations within the not-for-profit housing sector be a priority area of research and policy development in the second phase of the NAHA.

Research, data collection, and evaluation

- 13 Research and data collection components should be built into the NAHA. The NAHA should also include a specified funding base dedicated to ongoing research into a wide range of housing related issues that relate to the functioning of the housing system in Australia, and the role of the NAHA within this.
- 14 Some type of evaluation mechanism should be incorporated into all funding areas of the NAHA.

Coordination across other SPPs

- 15 Each SPP should have a number of cross-referencing performance indicators built into them. Another option would be to approach the issue of coordination through a social inclusion rubric.

Preamble

The intention of this submission is to provide a 'big picture' overview of the National Affordable Housing Agreement and a range of suggestions about possible components of the Agreement. These are aimed at increasing the capacity of community housing organisations to develop, construct, and manage new housing stock, either alone or in partnership with government and/or the private sector.

Purpose

This discussion paper has been prepared by the Community Housing Federation of Australia (CHFA), the national peak body representing community housing organisations throughout Australia. It is intended to:

- provide information to the community housing sector about the National Affordable Housing Agreement (NAHA), which will replace the current Commonwealth State Housing Agreement (CSHA); and
- articulate CHFA's policy position on the Agreement.

At the national level, CHFA will distribute this paper to the Housing Minister's office, the Department of Families, Housing, Communities, and Indigenous Affairs (FaHCSIA), and other decision makers. CHFA also intends to distribute this paper to state and territory Housing Ministers, Treasurers, and Premiers and Chief Ministers.

Background and timelines

Since 2004 CHFA, along with a number of other organisations in the housing sector, have been calling for a National Affordable Housing Agreement that brings together the many policy levers that affect housing outcomes.

As part of the Australian Government's National Reform Agenda, the Council of Australian Governments (COAG) has decided to rationalise the number of Special Purpose Payments (SPPs) that are currently paid to state and territory governments. These SPPs have particular outcomes attached to them. In the case of housing, the main SPP is the CSHA, which has a number of program areas within it, including the Community Housing Program, which provides funding from the Australian Government to State and Territory Governments for community housing. Some state and territory governments also provide additional funding and other support for the community housing sector.

The framework for national SPP payments will be standardised. Each new SPP will include a Statement of Objectives and Outcomes setting out:

- Outcomes;
- Roles and Responsibilities;
- Performance Indicators; and
- Policy and Reform.

The development of the NAHA is being undertaken by a group of housing and central agency officials from each jurisdiction and the Commonwealth, the Housing Working

Group, jointly chaired by the Federal Minister, Tanya Plibersek and the Tasmanian Government.

The current CSHA expired on 30 June 2008, but has been extended until 31 December 2008. The new NAHA is set to come into operation on 1 January 2009. The NAHA will be one of five SPPs, and will replace the CSHA. It will incorporate a range of different housing programs, including:

- Base funding for public and community housing under the CSHA;
- Community Housing Program;
- Crisis Accommodation Program;
- Aboriginal Rental Housing Program;
- National Rental Affordability Scheme;
- Commonwealth Rent Assistance; and
- First Home Owner Grant.

It is highly likely that the Agreement will also include funding for Indigenous housing in remote areas, the 'A Place to Call Home' program (600 new dwellings for homeless people); the Housing Affordability Fund; and the new First Home Saver Accounts. Other tax matters may be included in the NAHA (such as those that specifically relate to the provision of affordable housing as a charitable activity, as well as GST issues). It is also likely that the current Supported Accommodation Assistance Program (SAAP) will be included in the NAHA, although the mechanics of this are as yet unclear.

Relevant Australian Government departments, including FaHCSIA, submitted their recommendations for the NAHA to COAG on 29 August 2008. The basic template for the NAHA will be discussed at the 2 October COAG meeting, including statements of objectives, outcomes, outputs, and performance measures. There will be another COAG meeting in December during which the overall funding package and agreement will be decided.

Importantly, the NAHA will be an ongoing agreement, unlike the current CSHA which runs for five year periods. Changes to the agreement will be able to be made through the COAG process. Despite this, the importance of setting up a sound initial architecture for the agreement is paramount. Along with the four other new SPPs, the NAHA will be paid annually to state and territory treasuries, rather than fortnightly directly to line agencies.

Another big difference between the NAHA and the CSHA is that the NAHA will not include matched funding from state and territory governments. National Partnership Program schemes, such as the National Rental Affordability Scheme (NRAS), are conditional on states and territories contributing an agreed component of the funding, and these will form a part of the NAHA. The base funding of the NAHA, however—likely to include the bulk of the current CSHA funding—will not have to be matched by a proportion of funding from state and territory governments. COAG's aspiration for the SPP process is that they will be outcome focused rather than prescriptive. This means that the outputs agreed upon through the COAG negotiations will be crucial in determining the extent of funding that states and territories will have to contribute. It is hoped that the NAHA will provide a clearer delineation of the responsibilities of Commonwealth, state, and territory governments.

Parallel processes

In addition to representing the community housing sector directly to FaHCSIA and the Housing Minister, CHFA is involved in a number of other broader policy advocacy processes. The two main processes are CHFA's involvement with the National Affordable Housing Summit group and as one of the organisers of the National Rental Housing Day of Advocacy Action.

CHFA is one of the five members of the National Affordable Housing Summit group. The Summit group has been actively involved in the policy development of the NAHA. It has done this by developing policy documents, organising roundtable meetings in Melbourne and Sydney, consulting with a range of experts, and liaising with FaHCSIA and the Minister's office, as well as central agencies, including Treasury and the Department of Prime Minister and Cabinet. Although community housing is just one of the Summit group's areas of interest, the sector is well represented in its work. CHFA's policy positions are consistent with those put forward by the Summit group. Appendix 1 is a Summit group background paper detailing the key elements of a NAHA.

The National Rental Housing Day of Advocacy Action will be held on 24 September, 2008. It will involve direct lobbying of around 40 MPs and Senators, as well as a number of key Ministers. It is being organised by CHFA, the Australian Council of Social Service, Homelessness Australia, and National Shelter, who are calling for funding for an increase of 30,000 public and community housing dwellings over the next four years to 2012. A background paper and a position statement have been produced (see Appendices 2 and 3).

Discussion

Introductory notes

This document is not intended to stand-alone, and should be seen as complementary to the detailed work that has been carried out by the Summit group. In summary, the Summit group has recommended that the NAHA should include a National Affordable Housing Goal to halve the proportion of low-moderate income households in housing stress by 2020. To achieve this objective, the Summit Group suggests that an increase of about 250,000 dwellings should be achieved through Affordable Housing Programs (AHPs). AHPs are programs that are recognised under the NAHA and comply with requirements in relation to their rent profile, household profile and provider profile. This is a useful concept, as it captures the range of policy programs that the NAHA will encompass.

Three categories of affordable housing under the NAHA are proposed by the Summit Group and are referred to as Band A, Band B and Band C dwellings. Band A dwellings include all housing under affordable housing programs for which rents must be kept at or below 25% of residents' incomes for at least 25 years; Band B includes all registered housing for which rents must be kept at least 20% below market rates for at least 10 years (such as dwellings funded through the NRAS); and Band C includes all registered housing under approved types of home purchase programs. Band A and

Band B dwellings could be developed and managed by a range of providers, including existing State Housing Authorities (SHAs) and the community housing sector.

CHFA believes that the NAHA should be a wide-ranging and holistic Agreement. It should cover a number of key areas, including strengthening public and community housing, increasing the supply of low-cost rental accommodation, and reviewing and changing the delivery of Commonwealth Rent Assistance. Additionally, the NAHA should recognise the important role that Australia's tax system plays in shaping outcomes across different housing sectors. It will be important, however, that the initial negotiations for the Agreement are not too broad. Given the short period of time available to negotiate the agreement, there needs to be a strong focus on a number of key areas. CHFA believes that there should be a phased roll out of the Agreement, focusing on policy areas where there is the greatest need for change. This paper will focus primarily on the role that the NAHA can play in increasing the overall supply of not-for-profit managed dwellings, and the supports that need to be put in place to ensure the ongoing viability and high quality outcomes of the sector.

Key elements of a National Affordable Housing Agreement

Targets

CHFA believes that the NAHA should adopt a series of goals and targets, and supports those proposed by the Summit group. If goals and targets are included in the NAHA, they will drive the Agreement to relate to broader policy objectives, rather than just operating as a funding arrangement.

CHFA Supports the Summit group's proposal that the Agreement should include a goal aimed at halving the proportion of households in rental stress by 2020, meaning that 750,000 of the current 1.5m people who are currently in housing stress should have access to affordable rental housing. The Agreement will also need mid-term targets. Here, the Summit group's position is that a target of 120,000 new AHP managed dwellings by 2012 should be adopted. These mid-term targets have been costed over a four year period to the end of 2012. This housing will be a mix of Band A, B, and C dwellings, however the Summit Group supports immediate capital funding for a strong surge of funding for Band A dwellings.

CHFA has also worked with the Australian Council of Social Service, National Shelter, and Homelessness Australia to develop a policy position that supports a \$5b increase in funding for the construction of 30,000 new Band A dwellings over the next four years. This target is consistent with the Summit group's targets. An increase to Band A housing stock of this magnitude this scale will require funding over and above the current CSHA and allocation in the 2008 Federal Budget, as will the Summit group's targets.

Any goals and targets adopted in the Agreement should be signed off by the National Housing Supply Council. The targets should also substantially widen the role of not-for-profit housing providers. To achieve these targets, the not-for-profit housing sector will need to be appropriately resourced to take on this increase of stock.

Phased implementation

As mentioned above, CHFA supports a phased roll out of the NAHA. This has been supported by comments at public forums, including senior government officials. Michael Woodhouse, the Housing Minister's Chief of Staff, observed that the NAHA will probably include a work plan of other policy areas that will need to be worked through over the first few years of the agreement.¹

The Summit group has proposed that some areas of the NAHA should be negotiated in detail to take effect from 1 January 2009. Other areas, however, could be negotiated sufficiently to include broad objectives and directions for action in the initial NAHA, together with specific timelines for negotiation by the end of 2009 (Phase 2) or 2010 (Phase 3). Of relevance for the community housing sector is the proposal that the first phase include growth targets and funding arrangements for AHPs. The Summit group has proposed that a nationally consistent system of regulation for AHP managers be negotiated and introduced for Phase 2.

Funding

The NAHA will need to clearly separate capital funding from ongoing funding. The Summit Group has proposed a mechanism for doing this that will involve two main funding streams: a growth fund and an operational fund. Over the first five years of the Agreement, the Summit group has proposed that the growth fund be set at \$1b/year. Ongoing operational and replacement funding for AHP managers would be made available by providing CRA, or a CRA equivalent, to all AHP managers. It is envisaged that this subsidy, in conjunction with tenants' rent, will cover ongoing operational costs.

It should be noted that, at present, a CRA-based approach to providing operational funds would not allow for the regulatory, reporting, and financial differences between different types of housing providers and across jurisdictions. If this approach is followed it will be important to ensure there is a consistent regulatory framework for all providers.

The level of funding in the NAHA must have a provision for indexing and growth. For capital funding, CHFA proposes that this is tied to the Consumer Price Index (CPI). For the operating fund (or CRA equivalent), this should be tied to the rental component of CPI. Given the likelihood of high levels of investment from the Commonwealth, a more sturdy and consistent regime of tenancy regulation across state and territory governments is an item that should be given consideration, at least in Phase 2 of the NAHA.

Operational Principles

CHFA believes that the NAHA should include a Statement of Principles. This statement should articulate a number of the broader policy and operational goals of the Agreement, as well as specifying some of the preconditions for housing funded under the Agreement. Some of the principles that could be included are listed below.

¹ Michael Woodhouse made this observation during a discussant response at a Summit group roundtable on the NAHA, 5 August 2008.

The Agreement should also recognise the community housing sector's role and position within Australia's housing system. Additionally, the Agreement should recognise the need for, and the role of, housing peaks and the need for such organisations to be adequately funded.

The Agreement should include goals for the proportion of dwellings near transport and employment hubs, universal design, and sustainability indicators.

As noted above there is a need for a level playing field across the range of housing providers. The same rules must apply for all AHPs. This includes the need for a consistent regulatory environment and for regulators to be clearly separated from the people they are regulating. A number of overseas countries have situated their regulatory and prudential systems in central government agencies. We currently have a process for developing a national regulatory framework, but much of the approach has been framed around minimising risk to government, rather than developing a strong prudential and regulatory framework for organisations that will be investing in, building, or managing affordable housing developments. This process of developing a national regulatory framework should be refocused to encompass a broader suite of potential providers, and have a greater focus on the operating environments of housing providers, and the outcomes for tenants.

CHFA also believes that the Agreement should recognise the fluid nature of people's 'housing careers', and should be structured to allow for AHP management that revolves around tenants, rather than the other way around. For instance, people are currently expected to move between different parts of the housing system as their circumstances or needs change. A different way of doing this would be to allow for changes in a tenant's circumstances, such as the Same House, Different Landlord scheme in Queensland, or the management approach to clients and tenants that organisations such as St Bartholomew's have adopted in Western Australia.

This need to be tenant focused presents a solid argument for including schemes such as the Personal Support Program in Phase 2 of the NAHA, and also for committing to investigating a standardised rent setting system, pegged to market rent, also in Phase 2 of the Agreement.

Given the likely growth in not-for-profit management of AHPs, the Agreement must clearly acknowledge the need for capacity building for the NFP sector. This should also be negotiated in Phase 2 of the Agreement. Capacity building will need to take a number of forms. Some of these measures will require funding and others will require changes to policy settings. They could include:

- Mechanisms to increase the level of title/equity that community housing organisations have in the properties that they manage—there is ample evidence that when organisations have equity in their properties they are in a far better position to leverage this through debt financing or a structured equity model with an institutional investor. Such leverage allows organisations to grow, and to assist a greater number of tenants;
- Allowing more latitude in setting rents or choosing tenants;
- Improved resourcing of peak bodies, at both a national and jurisdictional level;
- Recognising that funding models require an appropriate amount of administration capacity built into them, as well as the capacity to adequately remunerate staff;
- Recognition that the community sector has more experience in dealing with the complexities of government programs and requirements than many private

sector organisations, and that not-for-profit organisations should therefore play a key role as partners in urban renewal projects.

Safeguards

The NAHA should have a range of safeguards build into it to protect the amount of public or not-for-profit funded stock in the system. For example, a condition of regulation under a nationally consistent regulatory system could stipulate that organisations do not reduce the capacity of their stock (i.e. the number of bedrooms available) by more than 5%. Mechanisms could be put in place to allow a greater reduction for a specified period of time if this was associated with a large scale redevelopment. This would allow AHP managers to reconfigure their stock, as well as giving them a buffer, but would prevent a serious reduction in the overall level of AHP managed stock.

The role of non-growth providers and organisations that have high operating costs due to their location or target group should be recognised in the new Agreement. Many community housing organisations rely heavily on federal funding from the Community Housing Program, which is a component of the current CSHA and managed by state and territory housing authorities. This CHP funding has allowed the community housing sector to house and support target groups that would be viewed by many in the private sector as undesirable tenants. Such tenants include people with complex needs, people with mental health issues, alcohol and other drug dependencies and women escaping domestic violence. Data from the CHFA 2005-06 Community Housing Mapping Project shows that targeting of many different groups is widespread in the sector. The excellent work that has been done by many community housing providers must be allowed to continue.

Given that state and territory governments will no longer have to match funding through the CSHA, and that they will also now have a greater degree of latitude in spending their NAHA allocation, CHFA believes that the NAHA should acknowledge the excellent role that many smaller community housing organisations play within the housing system, and the positive outcomes for tenants, including non-shelter outcomes. A dramatic reduction in funding received from State Housing Authorities could result in the demise of many community housing organisations, leaving tenants without affordable accommodation and exacerbating the existing affordable housing situation. Alternatively, a wide-scale series of amalgamations and consolidations in a particular jurisdiction could mean that many tenants would no longer be able to receive the specialist services and support that they currently have access to. CHFA recommends that the issue of amalgamations and consolidations within the not-for-profit housing sector be a priority area of research and policy development in the second phase of the NAHA.

Research and Data Collection

Research and data collection components should be built into the NAHA. The current CSHA data collections, conducted by the Australian Institute of Health and Welfare, should be expanded and continued.

The NAHA should also include a specified funding base dedicated to ongoing research into a wide range of housing related issues that relate to the functioning of the housing system in Australia, and the role of the NAHA within this. Research priorities

could be determined on an annual basis by COAG. They could include research into how the existing housing system and the policy mechanisms that affect it are performing, how these could be improved, and how such policy settings relate to current and possible roles for the NAHA.

Given that the NAHA will not be renegotiated on a regular basis, and is intended to be an ongoing agreement that can be changed as necessary, this will provide an evidence base for the ongoing development of the NAHA. Possible research topics could include commissioning research on how the tax system relates to housing, improving access to the private rental market for people with disabilities, or what role the NAHA could play in headleasing programs, which have a key role in securing a portion of the private rental market for low income earners.

Evaluation

To date in Australia, evaluation of housing policy, funding, and programs has not been a significant feature in the delivery of social housing. Whilst the Australian Institute of Health and Welfare (AIHW) and the Australian Bureau of Statistics (ABS) collect excellent data, this is predominantly at a jurisdictional level and aggregated for a national picture. Data collections such as the CSHA National Data Reporting and the National Social Housing Surveys for public and community housing, conducted by AIHW, provide data about these housing sectors as a whole. In both the United Kingdom and the United States, evaluation of housing programs is a well established and valued component of housing policy development.

The UK requires multifaceted independent evaluation of major government initiatives. Milligan *et al*, provide a good description of a major macro evaluation in the UK, which analysed low cost home ownership programs in England:

It uses a mix of sources of evidence and methods of analysis, including interviews with key national and regional stakeholders; focus groups of providers; case studies of operations in different local areas; a household interview survey; analysis of national datasets; and a set of models devised to provide a systematic quantified evaluation of performance and testing of financial aspects of provision.

One of the strongest findings of the study is that there are strong differences between the context and performance of these schemes in different parts of England. This underlines a key reason for doing evaluation research in housing: to progress our understanding of what housing levers work best in what markets.²

In the US, the Federal Department of Housing and Urban Development requires all funding proposals to include a comprehensive evaluation model. These evaluations, which operate at the level of individual programs, have a proportion of program funding set aside formally for this purpose, and program management agencies are expected to partner with academic institutions that conduct long term evaluations.³

² Milligan *et al* (2007:13) Approaches to Evaluating Affordable Housing Initiatives in Australia. Australian Housing and Urban Research Institute, Sydney Research Centre.

³ Renger *et al*. (2003) in Milligan *et al* (2007:13-14) Approaches to Evaluating Affordable Housing Initiatives in Australia. Australian Housing and Urban Research Institute, Sydney Research Centre.

Having an evaluation component built into the NAHA will allow the community, governments, not-for-profit organisations, and the private sector to assess not only the 'bricks and mortar' component of a given project, but also other aspects of a program or model, such as its efficiency, social outcomes and good practice.

The evaluation terms of reference established by the Queensland Government for the Brisbane Housing Company provide an excellent Australian example. These were organised into three areas, as described by Milligan *et al*:

- 1 Social evaluation:
 - To assess the model's ability to sustain the achievement of desired social objects, including but not limited to the provision of safe, secure, appropriate, affordable rental housing to various types of low-income households; and
 - To assess the model's ability to sustain the achievement of the desired financial outcomes of long term financial viability; and
- 2 Financial evaluation:
 - To assess the extent to which BHC has increased the supply of affordable rental housing in Brisbane for low-income households; and
 - To assess the model's ability to leverage government funding to raise additional funding from the private sector.
- 3 Governance:
 - To assess the model's ability to sustain effective, participative, strategic and operational level governance.

Some type of evaluation mechanism should be incorporated into all funding areas of the NAHA. Such information will provide an evidence base for relevant policy decisions that go beyond a purely economic basis and incorporate social outcomes for individuals and communities, to encompass a broader interpretation of value for money.

Coordination across other SPPs

CHFA acknowledges the need for a 'joined up' approach to policy development, especially with regard to the many areas of crossover that will exist within the new SPP landscape. The term 'joined up' is frequently used, but the mechanics of how this will work within the NRA, and across the different SPPs, has not been discussed widely in public forums in the development of the NAHA.⁴

CHFA proposes that each SPP should have a number of cross-referencing performance indicators built into them. Some examples of where this could be useful include the intersection between child protection and homelessness, or between new housing stock and transport options. For affordable housing provision, transport is widely acknowledged as a key factor.⁵ Indeed, access to transport is often a critical factor in decision making when locating affordable housing developments⁶ (CHC Affordable Housing). A number of Australia's cities are actively working towards improvements

⁴ There are many examples around the country of effective cross-portfolio integration. For example, in Victoria the integrated family violence system has multi-ministerial responsibility that is effective in terms of driving reform.

⁵ Academics such as Dr Jago Dodson from Griffith University and Professor Peter Newman from Curtin University are well known for their work in these areas.

⁶ For example, access to transport is a key planning driver for CHC Affordable Housing.

in this area, such as Perth's integrated transport plan, which includes the expansion of Perth's rail network, and Brisbane's Transport Oriented Design corridors, often based along custom-built busways.

As part of the development of the new SPPs, it will be important for COAG to give consideration to how the desired outcomes of the SPPs will be coordinated. There are a number of ways that this could be achieved, with varying emphasis on different levels of government. One possibility would be to introduce a standing agenda item at COAG to coordinate outcomes across SPPs, with an interdepartmental committee appointed to report to COAG.

Another option would be to approach the issue of coordination through a social inclusion rubric, and therefore through the department of Prime Minister and Cabinet. This could be done by requiring state and territory governments to compile data or reporting from a range of government areas against a standard range of indicators. These could then be centralised at the Federal level, and the data used to better direct funding and coordinate policy at a national level as well as providing useful information about progress and innovation in service delivery across the jurisdictions.

Further coordination across a range of government program areas could be achieved by 'cross referencing' outcomes in different agreements. For example, health and correctional services could be prohibited from discharging or releasing people from their care without having made arrangements for them to be appropriately housed. Such an approach would require care to be taken, however, to ensure that the poor performance of one program area did not adversely affect the capacity of another area to fulfil its obligations.

Conclusion

The NAHA represents a once in a generation opportunity to make significant adjustments to the policy settings that impact across Australia's housing system. The negotiation of the NAHA will allow housing to be posited as a central policy pillar, and for the recognition of the broader flow-on impacts that housing has in other areas. Adopting a 'business as usual' approach or simply making adjustments to existing policies and programs will waste this opportunity.

CHFA, along with the Summit group and many other stakeholders, believes that a whole-of-system approach to the Agreement is necessary. Such an approach needs to situate housing responses and people's housing needs along a continuum. It needs to recognise that housing careers are varied; and that safe, secure, and affordable housing is the foundation for the stability of people's lives, and for Australian society as a whole.

We need to look at innovative ways to deliver on housing affordability. Community housing provides more than just bricks and mortar. It provides links to local services and community networks and harnesses millions of dollars worth of volunteer effort in housing management across the country. As in other countries, community housing providers have the potential to become lead social enterprises delivering stronger community services and economic development in their communities.

Community housing providers also have a range of specific skills, and capacity in many areas that is unmatched in either the public or private housing sectors. Not-for-profit housing providers can leverage assets, and have a strong track record in tenancy management, construction, and as partners in joint venture developments. CHFA believes that if Australia is to create for the first time a stable and effective housing system at the lower end of the housing market, the not-for-profit housing sector must become a major presence, providing products across all tenures.

The NAHA will set up the framework for Australia's housing system into the future. In order to be as effective as possible, the Agreement will need to

- specify clear goals and interim targets for stock numbers;
- clearly delineate between capital and ongoing funding streams;
- institute safeguards and supports for different housing sectors that are covered by the Agreement;
- include ongoing data collection, research, and evaluation components; and
- coordinate outcomes in a fashion consistent with the other major SPPs.

CHFA looks forward to working with the Commonwealth and other key players to further develop, strengthen, and implement the NAHA.

Appendices

Summit group material

Please note that the following material does not necessarily reflect the views of CHFA or other Summit group members. Because of the fluid nature of policy development, Summit group documents tend to be ongoing 'works in progress' rather than definitive position statements. This document was produced in September 2008.

Appendix 1: Growth targets and financing arrangements for a NAHA

[NB: This draft is intended to help stimulate discussion, not to express firm opinions. In particular, the words and number in square brackets are merely indicative.]

A NATIONAL AFFORDABLE HOUSING AGREEMENT

A. POSSIBLE Growth Targets

Overall growth target

1. The overall supply of dwellings in "affordable housing programs" (AHPs) should be increased by at least [120,000] by 2015.
2. The increase in each State should comply with the following profiles (over the full period to 2015 rather than necessarily in each year).

Affordability profile

3. The increase in AHP dwellings should consist of
 - at least [one-third] "Band A" dwellings;
 - at least [one-half] "Band B" dwellings; and
 - some "Band C" dwellings.

Occupant profile

4. "High-need households" should comprise
 - [50-75%] of the increase in households in Band A dwellings;
 - [25-50%] of the increase in households in Band B dwellings.

Provider profile

5. Dwellings owned or leased by a State housing authority should not exceed [20%] of the overall growth in AHP dwellings.
6. All managers of Band A and Band B dwellings should be registered and regulated by a nationally consistent scheme.

B. POSSIBLE FINANCING ARRANGEMENTS

Earmarked finance for growth

1. (1) The Commonwealth Government should establish an Affordable Housing Growth Fund from which each State is entitled to claim assistance with the capital cost of increasing its supply of Band A dwellings.

(2) The level of assistance to a State could be set at [three-fifths of the total market value of its additional Band A dwellings], up to a total share of the Fund which equals its share of national population.

(3) Although a State's total assistance from the Fund would be calculated on the basis of its additional Band A dwellings, it would be entitled to spread the money at its discretion across both Band A and Band B dwellings.

2. The GST relief which is currently available for charitable housing providers in relation to construction and acquisition costs should apply to all Band A dwellings. It should count as a State expenditure for the purposes of qualifying for assistance from the Growth Fund.

3. Funding from the National Rental Affordability Scheme should be available to assist in expanding the supply of Band A, B and C dwellings.

Other finance

4. (1) The Commonwealth should extend Commonwealth Rent Assistance to public housing tenants, with the rates of payment being based on market rents not the net rents actually charged to tenants.

(2) Alternatively, the Commonwealth should provide States with an annual Operating and Replacement Subsidy (ORS) which is sufficient to meet all, or almost all, of their reasonable operating and replacement costs.

NOTES

Terminology

- "Affordable housing programs" include public housing, non-profit housing, other housing subsidised under NRAS and some home purchase assistance programs. They must comply with the proposed requirements relating to affordability profiles, household profiles and provider profiles.

- "Band A" dwellings are those for which, except in specified circumstances, rents must be kept below [25%] of residents' incomes for at least [25] years (although actual rents may be set by other criteria).

- "Band B" dwellings are those for which, except in specified circumstances, rents must be kept at least [20%] below market rent for at least [10] years.

- "Band C" dwellings are those in approved types of home purchase programs for low- or moderate-income households.

- "High-need households" have gross incomes below [50%] of the State/Territory median income for their type of household composition and/or have other defined types of special need (eg, Indigenous people, homeless people and people with mental illness or disabilities).

Growth targets

At least 750,000 low-income households are currently paying more than 30% of their income on rents or mortgages. At least 250,000 of these households are likely to be paying above 30% for substantial periods. By 2020 these numbers will be about 25% higher if they keep step with overall growth in the number of households.

Some of these households may not be experiencing hardship as a result of housing costs or could reasonably have chosen more affordable housing options. On the other hand, some households can experience hardship with costs below 30% of their income and many others only avoid paying above 30% by living in housing which is sub-standard or lacks adequate access to jobs and services.

Accordingly, it would be reasonable to adopt a long-term target of increasing the number of dwellings in affordable housing programs by at least 250,000 by 2020. This would restore the proportion of all households which are living in these dwellings to about the 6% level which applied a decade or so ago. In this context, an appropriate medium-term growth target would be 120,000 dwellings by 2015.

Earmarked finance for growth

In order to facilitate transparency in accessing and applying the Growth Fund, State housing authorities should be required to keep separate capital expenditure accounts.

Housing providers are exempt from GST if they are regarded as charities by the Australian Tax Office and charge below 75% of market rent. This limitation severely impedes the development of NRAS and encourages the creation of complex and expensive corporate structures. If construction of a particular dwelling is considered appropriate for public subsidy from the Growth Fund, the ability to deliver some of the subsidy as GST relief should not depend on whether the provider is a charity.

Other finance

The CRA change would bring public housing into line with non-profit housing. Providers could either get tenants to authorise direct payment of CRA or else increase rents in line with tenants' increases in income due to CRA. This would improve equity between providers and between States with differing mixes of provider types. Action might be needed to address transitional problems and prevent providers from discriminating unduly against tenants who are ineligible for full CRA.

Another approach is for the Commonwealth to attempt an estimate of the average annual operating and replacement cost per Band A dwelling for each State housing authority and then contribute it as an Operating and Replacement Subsidy (ORS) for each provider of a Band A dwelling, whether or not a State housing authority. Difficult issues would arise in making the initial estimates and later in adjusting the subsidy for inflation, new dwellings and possible efficiency savings.

Institutional changes

Under the CSHA, allocation of funding between providers is usually made by the State housing authority. This arrangement creates a conflict for the authority as it is also a major recipient of allocations. The arrangement may also impede effective coordination with decisions made elsewhere in government about transport provision and other key aspects of urban development.

These concerns could be reduced substantially if allocations from the proposed Affordable Housing Growth Fund were made by a more arms-length and broad-based process at the State level. For example, decisions could be made by Ministers after receiving recommendations from an independent board or a cross-portfolio committee chaired by the Premier's Department (as currently in Victoria).

CHFA NAHA discussion paper: appendices

A more fundamental issue is whether the allocations should be made at the Commonwealth or State level. This applies not only to the proposed Growth Fund but also to the new National Rental

Affordability Scheme and Housing Affordability Fund. Whichever level is preferred, it should be responsible for allocations under all three of these programs and involve independent or cross-portfolio processes along lines suggested above.

POSSIBLE BUDGETARY IMPLICATIONS, 2009-12

FINANCE FOR GROWTH

A short-term growth target of 60,000 dwellings by 2012 could be adopted as a milestone for achieving the medium-term target of 120,000 dwellings by 2015. The proposed affordability profile for the growth targets would require at least one-third (20,000) of these dwellings to be in Band A.

If the Commonwealth made annual contributions of \$1bn to the Growth Fund, it could meet three-fifths of the total market value of 22,000 Band A dwellings based on an average market value of \$300,000.

If the States provided the remaining two-fifths of market value for these dwellings, their annual contribution would be about \$670 million. States could provide some of this value in the form of land or GST relief, or by using NRAS or other methods to bring in external contributions such as private equity, loans or donations.

If the States provided resources of greater value, or selected their additional stock to have a lower average market value than \$300,000, the total number of dwellings generated with assistance from the Growth Fund could rise towards 30,000 dwellings.

This would leave a further 30,000 AHP dwellings or so to be generated by other means in order to achieve the overall target of 60,000 dwellings by 2015. The cost of subsidising 50,000 dwellings through NRAS by 2012 is already in the Commonwealth's forward estimates.

OTHER FINANCE

The cost of extending CRA to public housing tenants at market rents appears to be currently about \$800 million per annum. Under the proposed financing arrangements this would be borne entirely by the Commonwealth. Subsequent growth in the number of public housing tenants would not substantially increase the overall cost of CRA to the Commonwealth because most of them would otherwise have been receiving it as tenants of private or non-profit housing.

If the Commonwealth adopted an alternative approach by providing an annual Operating and Replacement Subsidy (ORS) for Band A dwellings, it appears that a similar amount of about \$800 million would be sufficient to meet all or almost all of the States operating and replacement costs (including depreciation and debt servicing). Subsequent growth in public housing supply would increase this cost but reduce the cost of CRA.

SUMMARY

Commonwealth expenditure

On the above assumptions, the Commonwealth would need to provide about \$1.8 bn per year. When account is taken of its savings of about \$1bn from expiry of the CSHA, the Commonwealth's net additional expenditure would initially be about \$0.8bn per year.

State expenditure

On the above assumptions, the States would need to secure funding of about \$670 million per year if they wished to claim all of the \$1 billion in the Growth Fund. As mentioned, however, much of this funding could be obtained by them from other sources, including Commonwealth incentives and private equity or debt under NRAS. It seems that the States' operating and replacement costs could be fully, or almost fully, offset by the Commonwealth contribution of \$800 million through CRA or ORS. Accordingly, when account is taken of their savings of about \$400 million from expiry of the CSHA, the States' net additional expenditure could initially be in the vicinity of \$250-300 million per year.

[These estimates assume no change in the First Home Owner Scheme. If it was targeted more effectively, the States might achieve savings in the vicinity of \$250-500 million.]

National Rental Housing Advocacy Day material

The following two documents were produced by a coalition of community organisations for a day of advocacy action on rental housing, held in Canberra on 24 September 2008. These organisations were: the Australian Council of Social Service, CHFA, Homelessness Australia, and National Shelter.

The first document is a position statement, and identifies the coalition's priorities for immediate spending at the commencement of the NAHA. The second document is a more in-depth background paper.

Appendix 2: National Rental Housing Advocacy Day Position Statement



Position Statement

**National Rental Housing Advocacy Day
Housing for a Fairer Australia
24 September 2008**

Australia Fair is coordinating a national advocacy day with the support of National Shelter, the Australian Council of Social Service (ACOSS), the Community Housing Federation of Australia (CHFA) and Homelessness Australia. The national advocacy day provides an opportunity to lobby Federal Members of Parliament (MPs) and Senators on the need to substantially increase investment in public and non-profit housing.

Housing provides a foundation for social and economic participation. It promotes stable and healthy households and sustainable communities. The lack of stable and secure housing causes poor health, education and employment outcomes and increases poverty and social exclusion.

Australia is experiencing a crisis in housing affordability with many low-moderate income Australians in housing stress, paying more than 30% of their incomes on housing costs. The worst affected by the current crisis are private renters. Housing un-affordability increases homelessness, with people unable to meet rental payments in the private market and, once homeless, unable to acquire housing due to inadequate supply. Despite the level of need, the stock of public and non-profit housing has declined over the last decade due to funding cuts. It is time to reverse this trend.

The Commonwealth and State and Territory Governments are about to negotiate a new National Affordable Housing Agreement (NAHA) which will include funding arrangements for public and non-profit housing and is to commence in January 2009. The NAHA negotiations provide Governments with an opportunity to substantially increase the stock of public and non-profit housing as part of a broader strategy to address the acute shortage of affordable housing.

The Facts

- There are at least 600,000 families and singles in the private rental market in housing stress. This represents 65% of low income private renters.
- Approximately 180,000 households are on public rental housing waiting lists. Eligibility is extremely limited, with access restricted to the most severely disadvantaged.
- The supply of public housing has declined by approximately 30,000 dwellings between 1996 and 2006 from 372,000 to 341,000 dwellings.
- Commonwealth funding for public and non-profit housing has fallen by around 30% in real terms since 1996.
- More than 32% of households receiving Commonwealth Rent Assistance still pay more than 30% of income on rent.
- There is a national shortage in the annual supply of new housing per year of more than 30,000 dwellings; and
- More than 105,000 people experience homelessness on any given night.

The Commonwealth Government has introduced a number of housing affordability measures, including the National Rental Affordability Scheme (NRAS) to increase the availability of affordable rental housing. These initiatives are positive but major additional investment is now needed in public and non-profit housing along with greater assistance for private renters to substantially improve housing affordability.

The Solutions

We have six key recommendations:

1. A Growth Target should be established involving an increase in the stock of public and non-profit housing by **30,000** additional dwellings by **2012**.
2. An Affordable Housing Growth Fund should be established with funding of **\$7.5 billion over 4 years** strictly ear-marked for expanding the stock of public and non-profit housing, contributed on a proportional matching basis by the Commonwealth and the States/Territories.
3. An Operating Subsidy Program should be established, with funding of **\$3.5 billion over four years provided by the Commonwealth**.
4. These funding arrangements will require approximately **\$5 billion** above funding currently provided by the Commonwealth and State/Territory Governments through the Commonwealth State Housing Agreement (CSHA).
5. New stock should meet standards relating to dwelling quality, disability accessibility and energy efficiency.
6. Commonwealth Rent Assistance (CRA) should be reviewed to ensure that it best meets the needs of all low income renters. As a first step, the maximum rate of CRA should be increased by **30%** for low income households currently receiving the highest rate of CRA at a cost of **\$500 million per annum**.

Appendix 3: National Housing Advocacy Day Background Paper



Background Paper

National Housing Advocacy Day

Housing for a Fairer Australia

24 September 2008

Purpose

Australia Fair is coordinating a national housing advocacy day with the support of National Shelter, the Australian Council of Social Service (ACOSS), the Community Housing Federation of Australia (CHFA) and Homelessness Australia. The national advocacy day provides an opportunity to lobby Federal Members of Parliament (MPs) and Senators on the need to substantially increase investment in public and non-profit housing.

Australia is experiencing a housing affordability crisis with inadequate housing supply and increasing rents and house prices. This crisis is impacting severely on those in the private rental market, causing deprivation and forcing some into homelessness. The lack of available affordable housing also means that many people have no exit options from homelessness, or are trapped in unsustainable or unsafe housing. Waiting lists for public and non-profit housing are long due to the high level of need. Tight targeting of public and non-profit housing means that only the most severely disadvantaged are eligible and undermines the social and economic sustainability of public and non-profit housing.

The Commonwealth Government has acknowledged this crisis and the need for action. It has developed a range of policy measures designed to improve housing affordability, including the National Rental Affordability Scheme (NRAS) which is designed to increase the stock of affordable rental properties. A white paper on homelessness is to be released later this year and the Government has funded the construction of 600 homes for those experiencing homelessness under the 'A Place to Call Home' strategy. However, without substantial additional investment in public and non-profit housing to increase affordable housing supply for low-moderate income households, substantial improvements in housing affordability cannot be achieved.

Over the next few months the Commonwealth, State and Territory Governments will be negotiating a National Affordable Housing Agreement (NAHA) to replace the Commonwealth State Housing Agreement (CSHA) which expires in December. The NAHA will include base funding for public and non-profit housing, accommodation for the Supported Accommodation and Assistance Program (SAAP), the National Rental Affordability Scheme (NRAS) and Commonwealth Rent Assistance among a number of other programs. The NAHA negotiations provide Governments with an opportunity to substantially increase the stock of public and non-profit housing as part of a broader strategy to address the acute shortage of affordable housing.

The solutions proposed in this background paper relate to public and non-profit housing and Commonwealth Rent Assistance. However, these solutions must form part of a broader suite of measures to increase the stock of affordable housing. We support the Summit Group recommendation that the NAHA should include a National Affordable Housing Goal to halve the proportion of low-moderate income households in housing stress by 2020. To achieve this objective,

the Summit Group suggests that an increase of about 250,000 dwellings should be achieved through affordable housing programs. 'Affordable housing programs' are programs that are recognised under the NAHA and comply with requirements in relation to their rent profile, household profile and provider profile. Three categories of affordable housing under the NAHA are proposed by the Summit Group referred to as Band A, Band B and Band C dwellings. Band A dwellings include all housing under affordable housing programs for which rents must be kept at or below 25% of residents' incomes throughout the life of the dwelling; Band B includes all registered housing for which rents must be kept at least 20% below market rates for at least 10 years and Band C includes all registered housing under approved types of home purchase programs.

This call for substantially increased investment in public and non-profit housing is consistent with, and forms part of, the approach proposed by the Summit Group.

Key issues

Social inclusion

The Government has committed to a social inclusion agenda to 'ensure no Australian is excluded from meaningful participation in the mainstream economic and social life of the country'.⁷ Housing is essential to this agenda. The stability provided by secure and affordable housing enables social and economic participation. Secure housing is a foundation for stable education and employment and contributes to community cohesion. Inadequate, unaffordable or insecure housing can result in poor health outcomes, interrupted schooling, unemployment and poverty.

Rental stress

There are at least 600,000 families and singles in the private rental market in housing stress.⁸ This represents 65% of low income private renters.⁹

While many Australians are struggling with housing costs, the majority of those in housing stress are private renters. Vacancy rates have reached their lowest point in twenty years at below two per cent in most capital cities (with some cities below one per cent) and rent is rising much faster than wages.¹⁰ Over the 12 months to June 2008, rents in most of the major capitals increased by 15% or more.¹¹ Over the same period, wages increased by approximately 4%.¹² As a result of these factors, some 65% of private renters are currently experiencing housing stress.¹³ Rising rent levels have also increased the pressure on public housing and crisis accommodation services and contributed to the current rate of homelessness.

A recent AHURI study on the impact of housing affordability problems on financial and social wellbeing found that 70% of low income renters are experiencing difficulty in paying rents and 40%

⁷ The Hon Julia Gillard MP, Speech to ACOSS National Conference 2008, 10 April 2008, Melbourne.

⁸ Australian Institute of Health and Welfare (AIHW), Australia's Welfare 2007 at 219.

⁹ AHURI, 'Housing Affordability: a 21st century problem', National Research Venture 3: Housing Affordability for Lower Income Australians, by Judith Yates and Vivienne Milligan et al, September 2007 at 19.

¹⁰ Julian Disney, University of New South Wales, 'Election 2007: Affordable rental housing', Australian Renew of Public Affairs, September 2007, accessed at <http://www.australianreview.net/digest/2007/election/disney.html>.

¹¹ Australian Property Monitors, Media Announcement, 'Quarterly APM Rental Series – June', accessed at http://www.homepriceguide.com.au/media_release/APM_Rental_Market_Report_June2008_Quarter.pdf on 25 August 2008.

¹² Australian Bureau of Statistics, 6302.0 'Average Weekly Earnings, Australia, May 2008, accessed at <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0/>.

¹³ AHURI, 'Housing Affordability: a 21st century problem', National Research Venture 3: Housing Affordability for Lower Income Australians, by Judith Yates and Vivienne Milligan et al, September 2007 at 19.

had been in arrears at some time in the last three years.¹⁴ Some 40% of lower income renters in the study moved annually in search of cheaper rents.¹⁵ Lower income renters in housing stress reported depriving themselves of basic goods and services in order to meet rental repayments, including meals and adequate health and/or dental care.¹⁶

Homelessness

More than 105,000 people are homeless on any given night.

All jurisdictions include homelessness—in one way or another—among the priority access criteria for public housing. However, despite eligibility for priority access, people experiencing homelessness are still experiencing unacceptable delays in accessing housing. Only 4,500 people who were homeless were given priority access to public housing in 2006-07.¹⁷

The causes of homelessness are complex and include domestic and family violence, mental illness, alcohol and drug problems, unemployment and poverty. Lack of access to affordable, secure housing is one of the structural causes of homelessness. Housing un-affordability also acts as a financial stressor which can contribute to family conflict and breakdown and thereby increase the risk of homelessness.

Public and non-profit housing plays a vital role in meeting the housing needs of low to moderate income Australians for whom other housing options are unaffordable or unable to meet specific needs. The role that public and non-profit housing can play in reducing homelessness falls into three broad areas:

- preventing homelessness by providing and managing secure and affordable housing;
- responding to homelessness by acting as an exit point for people leaving supported accommodation services or a housing crisis; and
- providing an immediate, secure housing option which can be complemented by support services, or where access to secure housing will avoid a crisis.

Public and non-profit housing also has a critical role to play in preventing homelessness by meeting the housing needs of some of the most vulnerable members of the community, including people leaving prison, exiting state care or mental health facilities, or escaping domestic violence. An adequate supply of public and non-profit housing is essential to ensuring that people experiencing or at risk of homelessness are immediately housed in appropriate and secure housing. Without stable housing, it is virtually impossible to address mental health, drug and alcohol and employment issues. Health and social support services are likely to achieve much better outcomes if clients can access appropriate housing. Further, without permanent, secure accommodation, people may remain in prolonged states of homelessness, posing serious risks to physical and mental health and placing an enormous demand on crisis accommodation services and other health and social support services. In this way, health and social support services are left to address the social impacts of the lack of affordable housing, with the costs shifted accordingly.

¹⁴ Terry Burke and Simon Pinnegar, AHURI, Research Paper 9, 'Experiencing the Housing Affordability Problem: Blacked aspirations, trade-offs and financial hardships', January 2008.

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Australian Institute of Health and Welfare, 'Who receives priority housing and how long do they stay?', Bulletin no.63, 2008, p.1

Declining public housing stock

- The supply of public housing has declined by approximately 30,000 dwellings between 1996 and 2006 (from 372,000 to 341,000 dwellings).¹⁸ In real terms, taking into account the lack of growth in stock, the dwelling reduction is much greater.
- This has resulted in tighter targeting and shorter tenure periods in many states and territories.¹⁹
- Approximately 180,000 households were on waiting lists for public rental housing at 30 June 2007.²⁰
- Commonwealth funding for public and non-profit housing has fallen by around 30% in real terms since 1996.

In 2006-7, the Commonwealth, State and Territory Governments provided \$1.32 billion for housing programs under the Commonwealth State Housing Agreement (CSHA).²¹ Of this, the Australian Government provided nearly \$1 billion (\$970.6 million) or 72.2% and the State and Territory Governments were collectively required to provide minimum matching funds of \$374.6 million or 27.8%. Public and non-profit housing accounted for the majority of this funding. We are encouraged by the fact that some jurisdictions have provided additional funding beyond the matching requirements.

Inadequate housing supply combined with declining investment in public and non-profit housing has resulted in increased targeting of high-needs groups by State Housing Authorities (SHAs).²² SHAs no longer have the capacity to house moderate-income earners and other tenants who do not have high needs. With the majority of tenants receiving rental rebates such that they pay no more than 25% of their accessible income on rent, rental revenue has declined significantly.²³ As a result, most SHAs, and some non-profit housing organisations, are operating at a deficit and are funding their budgetary shortfalls through asset sales and postponed maintenance. This is an unsustainable solution which has resulted in a reduction in the number of public housing dwellings, is further tightening waiting lists for public housing²⁴ and has left a significant maintenance backlog in a number of jurisdictions.

The eligibility thresholds for public and non-profit housing are very low due to the shortage of public and non-profit housing and the policy of targeting. While general income and eligibility tests apply, long waiting lists mean that housing may not become available for many years. Priority access criteria are designed to enable those in greatest need to access housing more quickly. These criteria vary between states and territories but generally include experiencing or being at risk of homelessness, living in housing that is inappropriate to needs or is adversely affecting health or placing life and safety at risk. However, even in an environment of segmented waiting lists many people with priority access still wait an extended period of time to access a property. Only 22 per cent of people with priority access are housed in less than three months. Half of those with priority access will wait more than a year.²⁵ Of all new public housing allocations in 2006-07, 30% of households had been on the waiting list for two or more years.²⁶

18 Australian Institute of Health and Welfare, *Australia's Welfare 2007* at Table A5.2 on pg 457.

19 *Ibid* at 237.

20 AIHW, *Public Rental Housing 2006-07: Commonwealth State Housing Agreement national data report*, at x and AIHW, *Australia's Welfare 2007* at 237.

21 Steering Committee for the Review of Government Service Provision, *Report on Government Services 2008*, Volume 2, January 2008 at 16.5.

22 Planning Institute of Australia (2004) *Liveable Communities: How the Commonwealth can foster sustainable cities and regions* p. iii.

23 Steering Committee for the Review of Government Service Provision – at 16.14.

24 *Ibid*, p. 38.

25 AIHW, *Public rental housing 2006-07: Commonwealth State Housing Agreement national data report*.

26 Australian Institute of Health and Welfare, *Public Rental Housing 2006-07: Commonwealth State Housing Agreement national data report*, January 2008 at ix.

The need to expand the non-profit housing sector

- Non-profit housing organisations manage not-for-profit rental accommodation across Australia for low and moderate income households.
- Australian Government funding for non-profit housing amounted to 7% of total CSHA funding provided by the Australian Government (\$67.5 million).

Non-profit housing offers a secure and affordable housing option for people on low to moderate incomes and is administered by non-profit organisations which provide tenancy and asset management services. In addition to providing housing, three out of five non-profit housing organisations provide some form of non-shelter assistance to their tenants.²⁷ Many have excellent links to other community support services and have demonstrated good outcomes in negotiating supported tenancies with specialist providers such as aged care and mental health services.

The sector comprises a diverse array of organisations that range in size, location, and management structure. There were 34,672 CSHA funded non-profit housing dwellings in Australia as at 30 June 2007,²⁸ and over 14,000 other non-profit managed dwellings, including independent living units for aged and disabled people. Another 21,505 units of Indigenous non-profit housing, and 6,773 units of crisis accommodation bring the total 'broader' non-profit housing sector to around 77,000 dwellings or 0.9% of Australia's total housing stock.²⁹

Eligibility criteria are generally consistent with those for public housing in each jurisdiction, however many non-profit housing organisations cater for specific tenant populations, such as people with disabilities, aged tenants, and women escaping domestic violence. As such, many non-profit housing providers are able to offer specialised housing and support for their tenants.

Non-profit housing providers are usually charitable organisations, making them exempt from GST, which has a number of advantages such as reducing housing construction costs. Additionally, the sector has a proven track record in tenancy management, making them ideal partners in joint venture developments with governments and the private sector. Many State and Territory governments have recognised the role that larger 'growth' non-profit housing organisations can play in increasing the supply of affordable rental accommodation, and have instituted new funding and regulatory regimes to support larger organisations in the sector.

There remains, however, a strong need to increase the supply of non-profit managed housing. Such an expansion of stock numbers can be achieved in a number of ways, such as transferring title of state-owned stock that is currently under non-profit management to non-profit housing organisations. Title transfer allows organisations to leverage against the value of the properties they manage to increase the amount of affordable stock. The National Rental Affordability Scheme also provides many options for non-profit housing organisations to become involved in both managing and developing new affordable rental properties. In addition to these mechanisms, an immediate injection of funding is required to significantly and expeditiously increase the supply of non-profit housing and provide relief to Australians that are currently struggling in the private rental market.

27 Community Housing Federation of Australia (2007) Community housing mapping project 2005-06: report on findings. Canberra.

28 Steering Committee for the Review of Government Service Provision at 16.11.

29 Gilmour and Bourke (2008:5-6) The Role of Organisation Structure, Relationships and Networks in Building Australia's Community Housing Sector. Paper presented to the 3rd Australasian Housing Researchers' Conference, Melbourne, June 18-20 2008.

The impact of Commonwealth Rent Assistance (CRA)

- Commonwealth Rent Assistance (CRA) is received by approximately 1 million people.³⁰
- Real expenditure on CRA increased by 12% between 1997-98 and 2006-07.³¹
- Government funding to CRA is now greater than the Commonwealth's contribution to public housing at more than \$2 billion in 2006-06.³²

CRA is a non-taxable supplementary payment provided by the Australian Government to help with the cost of private rental housing. It is available to private renters, non-profit housing tenants and state owned and managed Indigenous housing tenants in some jurisdictions who pay rents above certain levels. It aims to reduce the proportion of a household's budget that is spent on housing. Eligibility for CRA is limited to recipients of a Centrelink pension or allowance, or an amount of Family Tax Benefit (FTB) over the base rate of FTB Part A, who are also paying rent above minimum thresholds. Public housing tenants are not eligible for CRA.

CRA is paid at the rate of 75 cents for every dollar paid by the household above the threshold until a maximum rate is reached. The maximum rates vary according to family situation, number of dependant children and amount of rent paid.³³ CRA is not intended to achieve full affordability (i.e. less than 30% of income spent on rent). Indeed, 32% of CRA recipients pay more than 30% of income on rent after CRA. However, without CRA, 59% of these households would pay more than 30% of income on rent. In the current market, CRA remains an important, though inadequate, measure to improve housing affordability.

CRA currently subsidises a small fraction of rents in high rent locations, leaving income support recipients and low income families to pay most of their rent from often inadequate incomes. While CRA may significantly improve affordability in some Australian capital cities, it has very limited effectiveness in Melbourne and Sydney and other high-cost rental capitals because of the dwelling price and rent characteristics of these housing markets. For these reasons, a review of CRA is required to ensure that it best meets the needs of struggling renters.

Although the coverage and adequacy of CRA should be reviewed, it is clear that private renters on very low incomes are simply unable to compete in the current private market on existing CRA levels. Therefore, one option to improve housing affordability and reduce hardship among poor households with high housing costs in the short term is to increase CRA for private tenants.

An increase in maximum rates of CRA would quickly relieve the financial pressure on many low income households facing high rents. One disadvantage of the use of demand side subsidies such as CRA to improve housing affordability is that part of any increase would be absorbed by landlords and add to inflation in housing costs, especially in tight rental markets and among landlords who specialise in renting properties to low income people. The extent to which the benefits of increases in CRA shift from tenants to landlords is not known and is likely to vary between different housing markets and different Rent Assistance changes.

We therefore propose a housing affordability package that combines an increase in investment in public and non-profit housing to improve the supply of low cost housing over the medium term with a modest increase in CRA to relieve financial hardship among low income households already paying high private rents.

30 As at 8 June 2007, there were 943 718 income units entitled to receive CRA. See Steering Committee for the Review of Government Service Provision at 16.14.

31 Steering Committee for the Review of Government Service Provision at 16.5.

32 Australian Government, Which Way Home at pg 37.

33 The maximum rate per fortnight for a single with 3 or more children is \$142.36. See www.cebtrelink.gov.au/internet.nsf/payments/pay_how_ra.htm.

Solutions and rationale

We have six key recommendations:

- 1. A Growth Target should be established involving an increase in the stock of public and non-profit housing by 30,000 additional dwellings by 2012.**

A national target to increase the total stock of public and non-profit housing by **30,000** dwellings by **2012** should be included in the NAHA.

- 2. An Affordable Housing Growth Fund should be established with funding of \$7.5 billion over 4 years strictly ear-marked for expanding the stock of public and non-profit housing, contributed on a proportional matching basis by the Commonwealth and the States/Territories.**

The creation of an Affordable Housing Growth Fund would ensure that funds are ear-marked for the creation of additional housing stock.

Unlike demand side measures which have clear inflationary impacts in the housing market, an increase in public and non-profit housing supply will have a non-inflationary impact on the housing market. In addition, given the unstable nature of many international housing markets, investment in public and non-profit housing can play a role in the stabilisation of the Australian housing market.

- 3. An Operating Subsidy Program should be established, with funding of \$3.5 billion over four years provided by the Commonwealth.**

The purpose of this stream would be to enable maintenance of current stock levels in affordable housing programs.³⁴

- 4. These funding arrangements will require approximately \$5 billion above funding currently provided by the Commonwealth and State/Territory Governments through the Commonwealth State Housing Agreement (CSHA).**

The Commonwealth and States and Territories currently spend a total of \$5.8 billion on affordable housing programs. An additional \$5.1 billion is needed to meet the costs of recommendations 1-3.

This additional funding should be apportioned between the Commonwealth and the States and Territories on a basis which leads to an overall expenditure split on affordable housing programs of 75:25.

This additional funding would represent a substantial increase in investment in public and non-profit housing. This is justified and necessary due to the high levels of unmet need for affordable housing, the lack of housing supply, the legacy of under-investment in affordable housing and projected growth in the number of households.

- 5. New stock should meet standards relating to dwelling quality, disability accessibility and energy efficiency.**

³⁴ Proposal 4 of the Housing Summit Group Call to Action was to boost the supply of low-rent housing by establishing a new Capital Grant Program (CGP) earmarked solely for building or buying additional government and non-profit housing and a separate Recurrent Subsidies Program (RSP) providing operating subsidy to affordable housing providers.

The NAHA should include outcomes which specify that dwellings must meet certain quality standards and be located in areas which are accessible to employment opportunities, transport, health and social services. Public and non-profit housing stock constructed or acquired under the NAHA should be environmentally sustainable and provide disability access by meeting universal design principles. All public and non-profit housing should be gradually brought up to these standards over time, including existing stock. In addition, social inclusion and social mix outcomes should be specified in the NAHA.

6. Commonwealth Rent Assistance (CRA) should be reviewed to ensure that it best meets the needs of all low income renters. As a first step, the maximum rate of CRA should be increased by 30% for low income households currently receiving the highest rate of CRA, at a cost of \$500 million per annum.

A review of CRA is required to ensure that it best meets the needs of struggling renters taking into account:

- Regional rent variations;
- Currently ineligible low income households;
- CRA's impact on affordability; and
- Proposals to index CRA to the rental component of Consumer Price Index (CPI).

This recommendation is consistent with the recent Senate Committee on Housing Affordability's call to review CRA.³⁵

However, as a first step, an immediate increase in CRA for lowest income households is essential to alleviate housing stress and enable these households to compete in the private rental market. A 30% increase in the maximum rates of Rent Assistance for different household types would increase average rates of payment for all of those who would benefit by \$15 per week (or by an average of \$17 per week for families with children). This would enhance the ability of the lowest income households to compete in the private rental market. It is estimated that a total of 520,000 families would benefit from the change, which would cost between \$400 million to \$500 million if implemented in 2009-10. The gains would be concentrated on low income households paying relatively high private rents, including:

- 181,000 single adults;
- 45,000 couples;
- 157,000 sole parents; and
- 136,000 couples with children.

Approximately half of those who benefit would be households with gross weekly incomes below \$600 and 70% would have incomes below \$1,000 per week. Of these people:

- over 25% would be Parenting Payment recipients;
- 18% would be Age Pensioners;
- 10% would be on Disability Support Pension; and
- 11% would be on Newstart Allowance.³⁶

³⁵ Senate Committee on Housing Affordability in Australia, 'A good house is hard to find: Housing affordability in Australia', June 2008 at pg 8.

³⁶ Among those who would benefit from the change 35% would be from NSW; 28% from QLD; 19% from Victoria; 9% from WA; 5% from SA; 2% from ACT and NT and 1% from TAS.