

May 2016

Launch Housing's recommendations to reduce homelessness and increase affordable housing

2016 Federal Election

Why homelessness and affordable housing must be a priority for the next federal government

When people think about housing, too often property prices and the weekend's auction results come to mind.

While this is one view of housing, it overlooks the thousands of Australians struggling to make ends meet in the private rental market, people living in social housing, and importantly, the 105,237 Australians who are homeless on any given night.¹

National leadership is needed to end homelessness and to put affordable housing – not property prices – at the centre of decision-making.

Access to safe, secure and affordable housing is a fundamental right that every Australian deserves. It must be a priority for the next federal government.

Launch Housing's recommendations for the next federal government

1. Expand the supply of social and affordable rental housing.
2. Boost rental support for low income households in the private rental market.
3. Reform negative gearing and capital gains tax discounts and direct savings to social and affordable housing.
4. Ensure national housing and homelessness agreements meet rising demand for services.
5. Ensure that women and children escaping family violence have access to safe and secure housing.

Tony Keenan
CEO, Launch Housing

1. Expand the supply of social and affordable rental housing

Recommendation

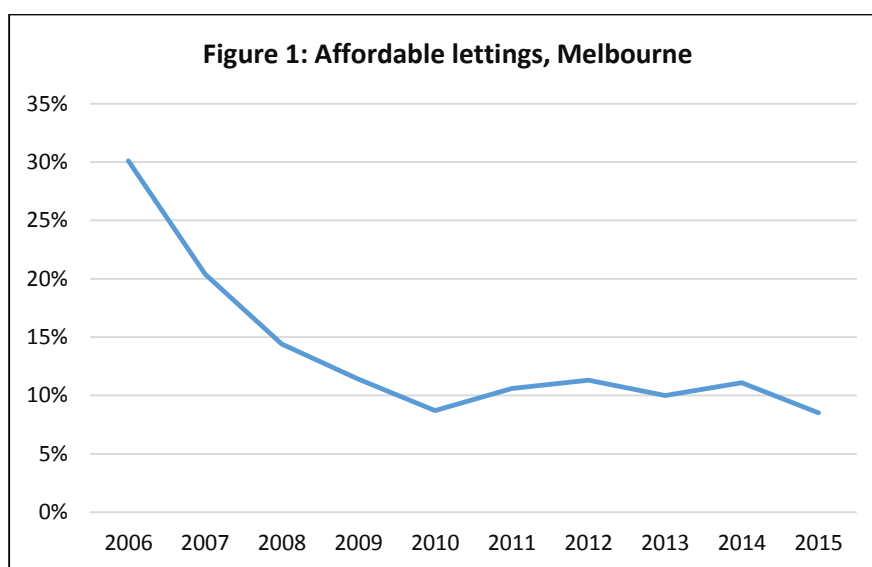
The next federal government should make a long term funding commitment to expand the supply of social and affordable rental housing.

Why action is needed

Social housing is an important safety net for thousands of Australians, however, supply is failing to keep up with demand. Over the past decade, Australia's population grew by 16%² yet the number of social housing dwellings increased by just 5%.³ In 2015, there were 187,500 households on waiting lists for social and community housing across the country.⁴

On top of this, housing in the private rental market is becoming increasingly unaffordable, particularly in metropolitan areas.⁵ In Melbourne for example, the proportion of affordable rental housing fell from 30.1% of all rental properties in 2006 to just 8.5% in 2015, as shown in Figure 1.⁶

The housing needs of low income households will not be solved by simply increasing housing supply in the private market. This is because additional housing (at full market rates) does little to expand the supply of affordable housing.



Source: DHS, *Current Rental Report – Affordable lettings by LGA December quarter 2015*

What needs to be done

The next federal government should direct funding, policy and taxation settings to meet rising demand for social and affordable rental housing, by undertaking the following steps:

- Undertake a needs assessment to determine how much social and affordable rental housing is required and where it is needed.
- Develop a long term plan to increase the supply of affordable housing. This should include a financial commitment by the government to invest in affordable housing and incentives to encourage private sector investment.⁷
- Appoint a Minister for Housing and Homelessness with responsibility for affordable housing. The Minister should have Cabinet-level authority to drive change.

2. Boost rental support for low income households in the private rental market

Recommendation

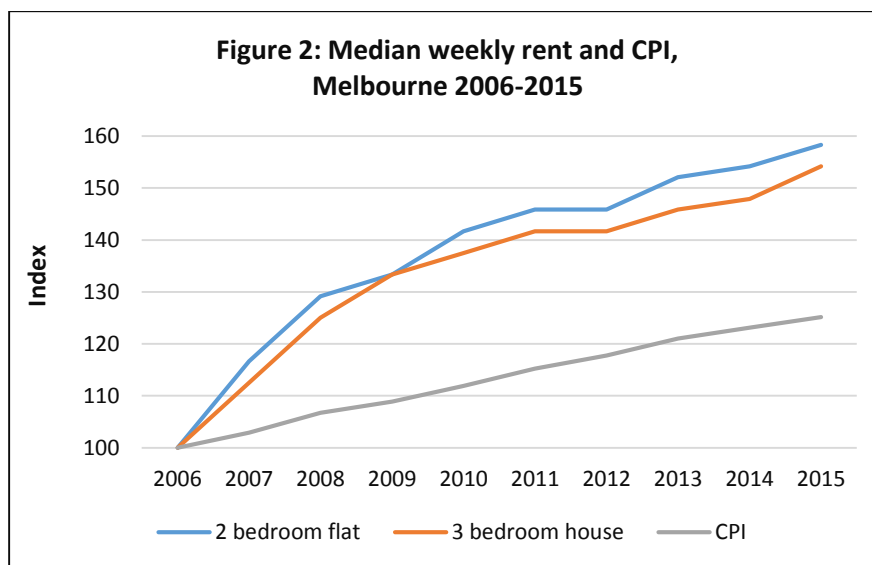
The next federal government should take up recommendations from the Henry tax review⁸ and the review of Australia's welfare system⁹ and reform rental support so payments reflect the true cost of housing for low income households in the private rental market.

Why action is needed

Commonwealth Rental Assistance was designed to help low income households meet the cost of rental housing in the private market.¹⁰ Last year it supported more than 1.3 million households, costing the federal budget \$4.2 billion.¹¹ But despite this outlay, 41.2% of recipients in private rental are in housing stress, paying more than 30% of their income on rental costs.¹²

Commonwealth Rental Assistance is indexed to inflation, which means it has failed to keep up with rising rental costs. In Melbourne for example, median weekly rent for a two bedroom flat and three bedroom house have increased at twice the rate of inflation over the past decade, as shown in Figure 2. During this time:^{13,14}

- Rent for a two bedroom flat has increased by 58.3%.
- Rent for a three bedroom house has increased by 54.2%.
- Inflation has increased by just 25.2%.



Rent and CPI are for the December quarter

What needs to be done

The next federal government should appoint an independent body, such as the Productivity Commission, to review rental support for low income households in the private rental market. The review should:

- Determine an appropriate level of rental support.
- Recommend a better way to index payments so they reflect the true cost of housing. An index tied to local area rents is one way this could be achieved.
- Explore alternative mechanisms for rental support, including private rental brokerage.

3. Reform negative gearing and capital gains tax discounts and direct savings to social and affordable housing

Recommendation

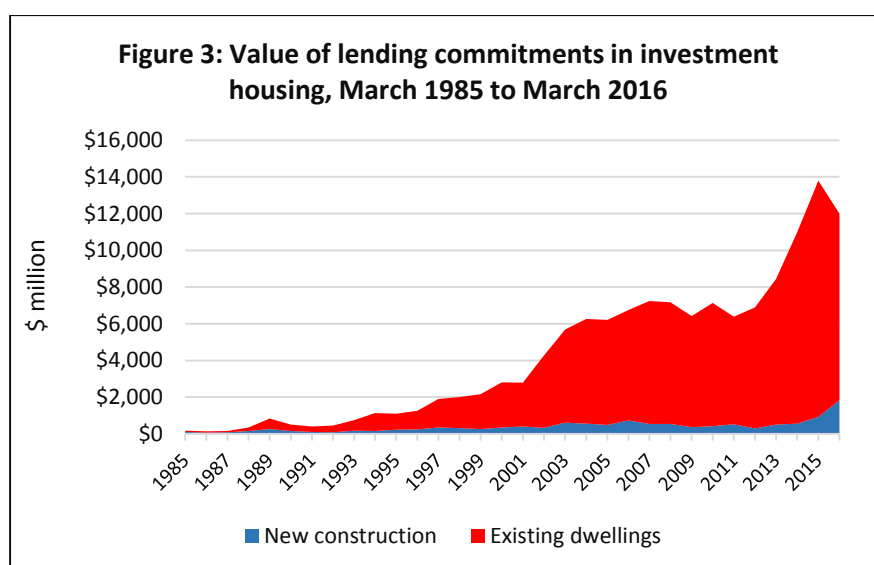
The next federal government should scrap negative gearing and reduce capital gains tax discounts for new investment properties and reinvest savings to boost the supply of social and affordable housing and increase income support for lower income households.

Why action is needed

Negative gearing and capital gains tax discounts strongly favour property investors at the expense of people trying to break into the housing market or those looking for a place to rent.

Taken together, negative gearing and capital gains tax discounts:

- Cost the federal budget \$11 billion each year.¹⁵
- Benefit high income households at the expense of other Australians: the top 10% of income earners receive 67% of all capital gains income and almost 50% of the tax benefits from negative gearing (before rental deductions).¹⁶
- Do little to boost the supply of new housing, let alone affordable housing. As Figure 3 shows, 85% of lending for property investment is used to purchase existing housing stock.



Source: RBA, Statistical Table D6 Lending Commitments – All Lenders, March

What needs to be done

The next federal government should use the estimated \$5.3 billion^{15,17} in annual savings from scrapping negative gearing and reducing capital gains tax discounts for new investment properties to:

- Increase the supply of social and affordable housing. This could be achieved through direct government investment in affordable housing; providing tax credits to encourage new affordable housing development; or as initial capital to encourage investment by large private sector institutions, such as superannuation funds.¹⁸
- Boost income support for low income households in the private rental market.

4. Ensure national housing and homelessness agreements meet rising demand for services

Recommendation

The next federal government should ensure that national housing agreements are designed and funded to prevent and end homelessness and to increase access to affordable housing. It should also make a long term funding commitment to the National Partnership Agreement on Homelessness, which is due to expire in June 2017.

Why action is needed

The federal government has two key funding agreements with states and territories for housing and homelessness programs under the National Affordable Housing Agreement:

- The first is the National Special Purpose Payment (SPP). This is an ongoing agreement with more than \$1.3 billion per year in federal government funding for affordable housing programs.¹⁹
- The second is the National Partnership Agreement on Homelessness (NPAH). This provides \$250 million per year – including \$115 million from the federal government and the balance from states and territories – for 800 frontline homelessness services.²⁰ Federal government funding for this agreement will expire in June 2017.¹⁹

Despite federal (and state and territory) government funding, specialist homelessness services are finding it difficult to keep up with demand, while low income households are struggling to meet ends meet in the private rental market and.

The 2011 Census estimated that 105,237 Australians were homeless, a number that increased by 17% from the 2006 Census.¹ It is likely this underestimates the true number of people who are homeless. Last year, specialist homeless services provided support to more than a-quarter of a million Australians. Yet those same services are struggling to keep up with demand, with 329 requests for assistance unable to be met each day.²¹

What needs to be done

The next federal government should make a long term funding commitment to the National Partnership Agreement on Homelessness (NPAH). Further, the NPAH and the National Special Purpose Payment should be designed and funded to target the causes of homelessness and address the barriers to reducing it.²² This should be done by:

- Setting clear targets to reduce homelessness and boost the supply of affordable housing. Targets should be measured and publicly reported on an annual basis.
- Addressing the structural drivers of homelessness, including access to education, income support, and employment.
- Increasing funding for housing and homelessness services, ensuring that payments are at least indexed to inflation.

5. Ensure that women and children escaping family violence have access to safe and secure housing

Recommendation

The next federal government should ensure that women and children escaping family violence have fast access to safe and secure housing. National leadership is needed for generational and lasting change.

Why action is needed

Victoria's historic Royal Commission into Family Violence revealed that family violence is the major reason why women seek assistance from homelessness support services across Australia.²³ Across Australia, 36% of adults and children who sought help from homelessness services did so because they were escaping family violence. Of this group, 48% were homeless at the time they sought assistance.²⁴

The Victorian Government has made an initial response to the Royal Commission into Family Violence with \$572 million over two years. This includes a two-year \$152.5 million 'housing blitz' (with a promise of more to come) for people escaping family violence "so they don't have to choose between homelessness and returning to an abusive relationship". Funding will be directed to build new refuges, crisis accommodation and social housing, and to support women and children to access or maintain housing in the private rental market.²⁵

The next federal government should replicate Victoria's response, backed by investment that is commensurate with the scale of the national problem. Ken Lay, who chaired the COAG Advisory Panel has called for national leadership for "generational and lasting change".²⁶

What needs to be done

The next federal government should implement the recommendations of the COAG Advisory Panel on Reducing Violence against Women and their Children²⁷ and follow the lead of the Victorian Government to protect women and children escaping family violence.

A national response includes changes to policy, legislation and funding to provide women and children with secure and affordable housing. This includes support for the broad range of housing needs that women and children have, including assistance for:

- Women and children who are able to stay at home.
- Those who can return home after a short period away.
- Support for women and children who are unable to return home and require alternative long term accommodation.

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