

Everybody's Home Budget position paper

A PLAN TO FIX AUSTRALIA'S HOUSING CRISIS



Housing solutions
for all Australians



As Australia's political leaders prepare the last Budget of this parliament, the case for renewed investment in social and affordable housing is more pressing than ever.

COVID has amplified and aggravated the social cleavages of our housing system. In the 12 months to January 2022, the asking rent on a three - bedroom home increased by 13.5 per cent.¹ The purchase price on the same property exploded by 20.2 per cent.²

In our regions - traditionally a reservoir of affordable rental options - the rate of increase has also been pronounced. The most recent report from CoreLogic, University of NSW and Australian Council of Social Service recently showed rents in the regions surged 12.4 per cent in the year to August 2021. By comparison, wage growth sat at 1.7 per cent.

Against this backdrop, the paucity of investment in social and Indigenous housing represents a brewing social crisis. In 2013-14 federal funding for social and Indigenous housing was over \$2 billion, but the Federal Government has budgeted only \$1.6 billion in 2023-24. Indexed for inflation this should be \$2.7 billion.

Per head of population, social housing is shrinking. In 1994, it made up six per cent of all housing. Today it is just four per cent.

The social cost of underinvestment is well understood. Without a secure home, people are less likely to leave family violence situations, return to the workforce or attend to health conditions.

However, the public cost of not investing is often overlooked. This paper reveals that our underinvestment in social housing has created foregone public sector cost offsets and private sector benefits of \$676.5 million per annum currently, rising to \$1.286 billion per annum in 2036.

Meanwhile, constructing 25,000 social homes per year would generate an annual economic output of \$12.9 billion, and create 15,700 jobs.

Australia is at a crossroads. The right and rational path is a stronger system of social housing that provides security and stability to individuals, while at the same time bolstering our common national prosperity. The alternative is an increasingly brutal financial contest for something that should be a basic human right - decent shelter.

#BuildSocialHousing

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Introduction

Australia's housing market is not meeting the needs of people on low and moderate incomes. Over a million lower income households are paying housing costs which exceed the affordability benchmark of 30 per cent of household income.ⁱⁱⁱ

A 2018 study estimated a national shortfall of social and affordable housing of 437,586 dwellings. It also estimated that by 2036 there will be a shortfall of nearly 730,000 dwellings.^{iv} However, this shortfall is growing rapidly. A more recent calculation by the National Housing Finance Investment Corporation (NHFIC) identifies the need for an additional 890,000 social and affordable homes over the next 20 years, requiring a building program of 45,000 homes per year.^v However, the current rate of non-private dwelling construction is the lowest it's ever been since the availability of data in 1955.^{vi} Whilst several state governments have announced relatively ambitious COVID stimulus building programs, the Federal Government has not taken the opportunity to solve a major social crisis for low-income households. Regrettably, the states alone cannot resolve such a high level of housing need and a major federal commitment will be required.^{vii}

It doesn't have to be this way. Everybody's Home believes that we can fix Australia's broken housing system, and make sure that every Australian can access housing that is safe, affordable, and meets their needs.

An ongoing pipeline of public and community housing would deliver massive social and economic benefits. Social benefits include improvements in productivity, people's sense of safety and place in their community, and an improved capacity to respond to homelessness and domestic and family violence. Economic benefits include direct stimulus from construction activity, increased spending on essentials like clothing, food, and electricity, made possible by people saving money on their rent, and productivity gains. An adequate supply of social and affordable housing will also lower inflationary pressures in the private rental market and across the housing continuum.

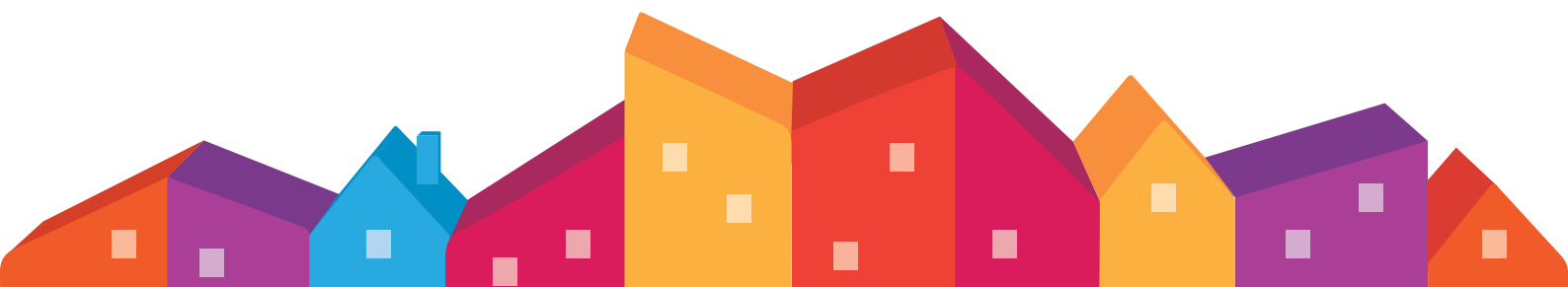
Existing supply of social and affordable housing is inadequate

The National Housing and Homelessness Agreement (NHHA) is an agreement between the Commonwealth and the states and territories.^{viii} Its purpose is to provide a funding contribution from the Commonwealth to the states and territories to help pay for Australia's social housing and homelessness systems.

But the level of funding in the Agreement and related Indigenous housing programs has decreased over time. Funding in 2013-14 was over \$2 billion and a decade later in 2023-24 will be only \$1.6 billion. Indexed for inflation this should be \$2.7 billion. This is an effective decrease of \$1.1 billion at a time when the housing crisis is recognised in every state. This decline in funding is exacerbated by the ability from 1996 for state treasurers to use this source of Commonwealth funding for purposes other than building more social housing. This has contributed to the decline in the proportion of social housing stock in Australia from 6 per cent of all housing in 1994 to just over 4 per cent now.^{ix} Australia's population has increased by 35 per cent during that time.

As a result of this undersupply, waiting lists for social housing are long, leaving many people waiting months or years. Only people in the most immediate crisis are allocated housing and can still wait up to two years for long-term housing.

Supply of affordable housing is also severely constrained. There has been limited new affordable housing added to Australia's rental stock since the Federal Government placed a moratorium on future building from the National Rental Affordability Scheme (NRAS) in 2014. NRAS was established in 2008 and helped add an additional 38,000 affordable rental dwellings, although its original target was 50,000. Payments from the Federal Government to support affordable rentals in the remaining NRAS dwellings will expire in 2026.^x



The social benefits of investing in affordable housing

Social and affordable housing programs aren't just about bricks and mortar, or dry economic outcomes. Affordable housing ensures the human right to safe and stable housing and provides a wide range of social benefits. Investment in affordable housing is an investment in social infrastructure, just as we invest in schools and hospitals. It is an investment in social wellbeing and the creation of homes, not houses and communities not estates. In an analysis of multiple studies Nygaard^{xii} identifies that:

'This literature finds that a lack of affordable and adequate housing generates *additional* public sector costs and *reduces* individual and household physical and mental wellbeing, and opportunities across a number of societal areas. These include:

- homelessness
- mental health, domestic violence and alcohol/substance abuse
- human capital accumulation and educational attainment
- financial stress and foregone spending on food/groceries; medical and health; and family/leisure activity
- overcrowding and family functioning, and
- employment and productivity'

Investment in social and affordable housing reduces the incidence of a range of social problems.

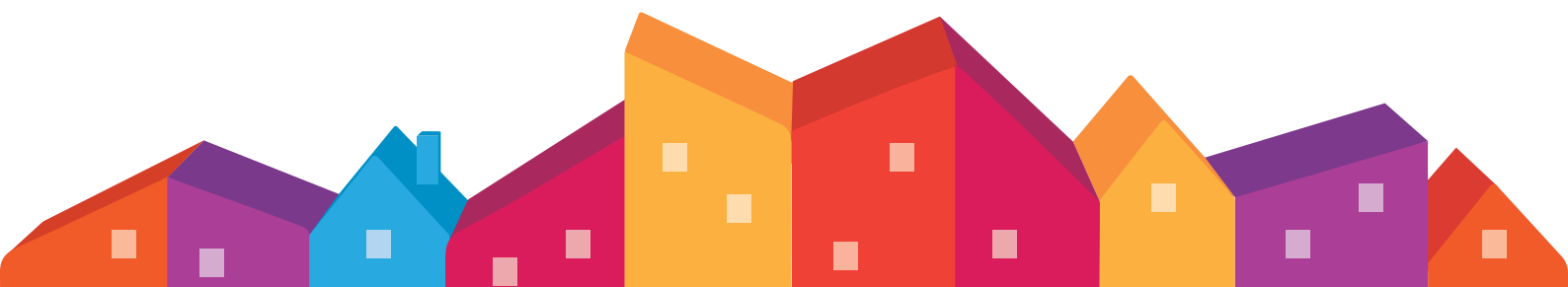
The economic benefits of investing in affordable housing.

Nygaard's work also identifies the housing related economic costs of insufficient housing to support the needs of the population. The cost of foregone public sector cost offsets and private sector benefits are estimated at \$676.5 million per annum currently, rising to \$1.286 billion per annum (nominal, undiscounted) in 2036 if the projected housing shortfall is not met.^{xiii} As a simple illustration of this, providing a stable home and social support in the Common Ground facility in Brisbane is estimated to provide a public expenditure saving of \$13,100^{xiiii} per annum per resident, even when all the costs of the intensive services are included.

In addition to these savings to the public purse, economists recognise the direct economic stimulus provided by the construction of social and affordable housing. Previous real-life examples include the 2008 Social Housing Initiative which achieved nearly 20,000 homes in three years, created 9,000 construction jobs, and an economic multiplier of \$1.3 for every dollar spent.^{xv} Recent modelling by SGS Economics and Planning^{xvi} estimate that a programme to build 25,000 social homes per year as identified by the Everybody's Home campaign would generate an economic output of \$12.7 billion, and create 15,700 jobs. These are real economic gains that benefit the whole community.

In 2019, University of NSW academics conducted research that examined the productivity gains from better housing outcomes. One of their findings was that the benefit-to-cost ratio (BCR) of investing in social and affordable housing in metropolitan areas close to work and study opportunities is 4.80.^{xvii} In other words, for every dollar invested in well located social and affordable housing, there is an economic return of \$4.80. This applies over a 40-year period.

The productivity impacts measured by this research include travel time savings, better employment outcomes, and improved consumption and saving capacity for households who are no longer in housing stress.



The right funding mechanism can maximise outcomes

Building social and affordable housing costs money. Just to maintain the current share of social housing as a proportion of Australia's housing stock will require a construction of 15,000 new social housing properties a year.^{XVII} But our current rate of new social housing construction is about 3,000 dwellings a year.^{XVIII} To adequately address this shortfall, greater investment is required.

The ALP has proposed to put \$10b into its Housing Australia Future Fund. It is envisaged that the earnings from this fund would create an "off budget" and ongoing funding source for new housing. The ALP estimate that this would deliver 20,000 social housing dwellings and 10,000 affordable housing dwellings in the first five years.^{XIX} This is a welcome proposal but will not meet the social housing shortfall. A 'one-off' payment of this kind will not replicate the impact of an ongoing annual investment.

Whilst funding is the central challenge for all governments, there are examples globally and developed in Australia that provide opportunities. There are several approaches that government can take:

Government subsidy to support community housing providers meet demand

- Further development of the affordable housing bond aggregator approach, exemplified in the current National Housing Finance Investment Corporation (NHFIC) created by the current government
- Development of the Housing Boost Aggregator^{XX}

Incentives to encourage investment in social and affordable housing

- Long-term policy structures that support superannuation fund investment in social and affordable housing
- Private investment leverage into Build to Rent programmes
- Tax credit schemes exemplified by the USA Low Income Housing Tax Credit system to incentivise private investment

Federal government direct funding

- Direct funding of a major program to build sufficient social and affordable homes for those in need in Australia.
- Increased allocation to state and territory governments sufficient to support them expand and accelerate their current targets of housing supply development



What does the Commonwealth Government need to do?

We need to halt the decline in Australia's social and affordable housing stock levels. We have the solutions, now we need leadership and action from elected representatives.

1. Build more social and affordable housing. We need to urgently begin building at least 25,000 social housing properties each year to develop a pipeline that will address current waiting lists and the projected demand identified in the numerous recent reports cited in this document. This is a realistic and practical target for growth and recognises the duty of federal government to resolve a social crisis. This solution at the same time will stimulate the economy and reduce public service expenditure supporting families and individuals in an almost permanent housing crisis.

2. Develop a National Housing Strategy

To respond to the housing crisis, we need a plan. The Federal Government needs to lead this process, and work with the states and territories to **develop a National Housing Strategy**. This should be overseen by a Cabinet-level Minister, with work conducted in a central agency, such as Treasury, or through the establishment of a dedicated statutory agency. Within this there must be a **National Homelessness Strategy** that addresses the key drivers of homelessness, including access to affordable housing, adequacy of incomes, domestic and family violence, and poor access to mental health and other services. This must create a framework to end homelessness with the appropriate resources and evidence-based programs to effectively prevent homelessness and support enduring pathways out of homelessness.^{XXI}

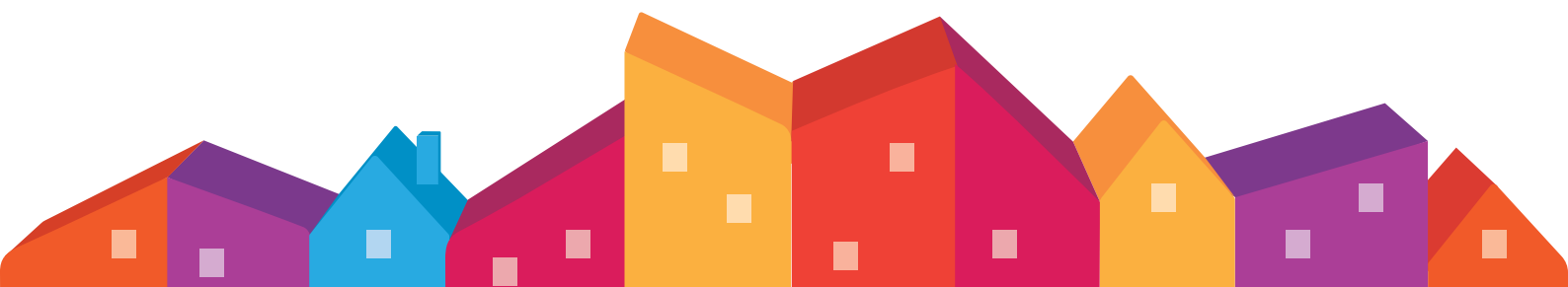
There should also be a linked Indigenous Housing Strategy that addresses the acute housing challenges that have been so clearly revealed by the COVID-19 impact in Indigenous communities.

A national housing strategy will need to be accompanied with sufficient funding and funding mechanisms to implement it. A revised National Housing and Homelessness Agreement to reflect the scope and goals of the new strategy, and a greater role for the existing National Housing Finance and Investment Corporation will need to be negotiated as part of this process. A viable strategy requires a new partnership between federal and state governments, community housing providers and the private sector.

3. To guide responsible policy and funding decisions an independent body is required with extended functions similar to the **National Housing Supply Council (NHSC)**. The NHSC was established in 2008, and regrettably abolished six years later. It provided an evidence base for decision making about housing matters. An independent body can provide essential data and reliable national modelling to quantify existing and projected housing supply. The body could advise governments at all levels and could develop the national housing strategy independently and based on the evidence of need and its distribution.

4. For the foreseeable future, most people on low- and moderate- incomes will need to live in the private rental market. We can make their experience better by:

- a. Increasing the maximum rate of Commonwealth Rent Assistance by at least 50 percent**, broadening eligibility for the payment, and ensuring that everyone who gets it is given equal treatment.
- b. Providing Commonwealth leadership to make renting fairer.** This reform needs to include enshrining tenants' rights, such as making minor and reversible modifications (e.g. anchoring furniture to walls to prevent injuries to children), and getting rid of no cause evictions.



Definitions

Housing affordability

Housing is generally considered to be affordable if members of a household are not in housing stress after they have paid for their housing. The most widely used measure of housing stress is that low or moderate-income households (usually defined as the lowest 40%) should not pay more than 30% of their gross income on housing. Low and moderate-income earners who are paying more than 30% of household income on housing are considered to be in *housing stress*.

Affordable housing

Affordable housing refers to a type of rental housing that is offered for rent at below market rates. It is targeted at low-moderate income households, with the rent set as a proportion (usually less than 75%) of market rent.

Social housing

Social housing is housing for low-income people or families, usually on a long-term basis (generally for the duration of housing need). Rent in social housing properties is calculated based on tenant or household income and is commonly set at 25% or 30% of gross household income. *Social housing* is provided by a variety of organisations, including state and territory governments (public housing), Aboriginal housing providers, and community (not-for-profit) housing providers.

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- iv. Lawson et al. (2018) [Social housing as infrastructure: an investment pathway.](#)
- v. Commonwealth of Australia. (2021). Statutory review: operation of the National Housing Finance and Investment Corporation Act 2018. [Final Report.](#)
- vi. Nygaard, C (2021) National program for construction of social and affordable rental housing, Swinburne University of Technology, Melbourne.
- vii. Compass Housing Services (2021). [Meeting Social Housing Need.](#) A Tipping Point for Federal Intervention.
- viii. Council on Federal Financial Relations (2018) [National Affordable Housing Agreement.](#)
- ix. Australian Bureau of Statistics (ABS) (2021). [Social Trends.](#)
- x. Department of Social Services (2021) [About the National Rental Affordability Scheme.](#)
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- xv. SGS Economics and Planning (2021). Economic Impact of Social Housing Construction.
- xvi. MacLennan et al. (2019) [Strengthening economic cases for housing policies.](#)
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- xix. Australian Labor Party (2021) [Housing Australia Future Fund.](#)
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