

NATIONAL AFFORDABLE HOUSING FORUM

ACHIEVING **A NEW NATIONAL AFFORDABLE
HOUSING AGREEMENT**

24-25 JULY 2006 OLD PARLIAMENT HOUSE, CANBERRA

A SUMMARY OF THE FORUM

INTRODUCTION

The main purpose of the Forum was to stimulate informal discussion about key goals and priorities for a National Affordable Housing Agreement, possible core elements of such an Agreement, and ways of building public and political support for it. The aim was to encourage clarification, creativity and convergence, not to seek any formal agreement amongst participants.

The Forum was hosted by the Australian Council of Social Service, Australian Council of Trade Unions, Housing Industry Association and National Housing Alliance*. It was attended by 60 invited participants from wide-ranging backgrounds across Australia in the private and non-profit sectors as well as academic researchers and some representatives of Commonwealth, State and local governments.

The Forum included presentations from a number of prominent speakers but most of the time was allocated for discussion. Four Background Papers and an Information Paper were prepared to assist discussion about key elements of the proposed Agreement (see www.housingsummit.org.au). They were prepared independently of the hosts and did not seek to represent their views or those of anyone else.

Call for a New Agreement

The proposal for a National Affordable Housing Agreement arose from the National Summit on Housing Affordability which was convened in 2004 by the same organisations as hosted this Forum, in conjunction with the Australian Local Government Association.

The Summit was attended by about 200 invitees from the housing sector, community groups, government and other experts throughout Australia. The principal hosts later issued a joint *Call for Action* to address problems that had been identified and discussed at the Summit. (For Summit details and the text of *A Call for Action*, see www.housingsummit.org.au.)

A key element of *A Call for Action* was a proposed five-year National Affordable Housing Agreement (NAHA) between the Commonwealth, State and local levels of government to rationalise and strengthen government policies for improving the supply and effectiveness of affordable housing. The proposed Agreement was intended to subsume the current Commonwealth State Housing Agreement (CSHA).

Focus and Outcomes of the Forum

The Forum followed on from the Summit by discussing ways in which the proposed new Agreement could provide a national framework for improving provision across the full spectrum of affordable housing: home purchase, private rental, public housing and non-profit housing.

It discussed ways in which the Agreement could require or encourage possible contributions to this goal by

- Commonwealth, State and local governments;
- major financial institutions and other private sector investors;
- community housing groups and other non-profit organisations.

A wide range of issues were considered for inclusion in the Agreement. It was not intended, however, to cover all of the measures that might be taken to improve housing affordability around Australia. This applies, for example, to many issues concerning planning and development processes, regional development and infrastructure investment which will be considered at a subsequent Forum.

As mentioned earlier, the Forum was not intended to culminate in any formal statement of agreement by participants. However, the hosts requested the independent Chair (Prof Julian Disney) to provide some closing remarks which would help to identify some key areas of convergence and difference amongst participants. His remarks are summarised below. The principal outcomes of the Forum, however, lie in the impact of its discussions on the future policies, practices and advocacy of the participants.

* The National Housing Alliance includes the Community Housing Federation of Australia; Construction, Forestry, Mining and Energy Union; National Shelter and the Urban Development Institute of Australia, as well as ACOSS and HIA.

AN OVERVIEW OF DISCUSSIONS AT THE FORUM

Closing Remarks by the Chair
Prof Julian Disney

INTRODUCTION

1. It was common ground amongst participants that lack of access to affordable housing is a deep and significant problem throughout Australia. Vigorous and sustained action by governments, as well as within the business and non-profit sectors, is essential to reduce the ongoing economic and social damage that is being caused.

2. There was strong support for a National Affordable Housing Agreement along the general lines proposed in *A Call for Action* and *Background Paper No 1*. Many participants emphasised that the Agreement should cover a wide range of problems and responses but, as proposed in *A Call for Action*, must also be accompanied by other key measures relating especially to planning, regional development and taxation.

SOME GUIDING PRINCIPLES

3. Almost all participants expressed views about the main directions for action that should be pursued when developing and implementing a National Affordable Housing Agreement. At least four guiding principles for development of such an Agreement can be suggested on the basis of these views.

A National Approach with Flexibility

4. The Agreement should adopt a national approach by involving the Commonwealth, State and local levels of government and by strengthening cooperation between and within those levels. It should also seek to encourage more national activity and interaction amongst investors and managers of affordable housing.

5. The Agreement should adopt a national approach by, for example,

- establishing national goals, targets and indicators;
- encouraging a national market for affordable housing investors;
- developing a national framework for affordable housing subsidies;
- establishing a national program for housing market information;
- developing a national system for training and accreditation of affordable housing managers;
- promoting national guidelines about impacts of planning systems on affordable housing.

6. In these and other ways, the Agreement should provide as much national consistency as is necessary to achieve major improvements in the size and effectiveness of public and private investment. But a national approach is fully compatible with, and should include, the principle of "subsidiarity". Accordingly, the Agreement should avoid undue national prescription and rigidity, leaving policies and projects to be developed so far as possible in ways which meet State, local and individual circumstances.

An Inclusive Approach with Priorities

7. The Agreement should adopt a broadly inclusive approach to the range of problems with which it is concerned and the range of measures by which it seeks to address them. By doing so, it should enhance opportunities for cooperation, innovation and effectiveness as well as increasing popular and political support.

8. The Agreement should adopt an inclusive approach by, for example, being concerned with availability of affordable housing across
- the full spectrum of ownership and rental tenures;
 - a broad range of household income;
 - housing needs at different stages of life, including youth and old age as well as the middle years.
9. It should also adopt an inclusive approach by
- providing or encouraging a wide range of types of subsidy or other assistance, including non-cash subsidies;
 - encouraging involvement of a wide range of investors, developers, managers and other participants in provision of affordable housing.
10. The breadth of this approach is fully compatible with, and should include, a principal focus on providing appropriate affordable housing for those households which are in the greatest need, such as low-income renters. This priority concern will not be effectively addressed, however, if it is pursued in isolation from other needs or by excessively rigid targeting.

A Long-term and Large-scale Program

11. Lack of access to affordable housing is so prevalent, and becoming even greater, that a long-term approach is necessary to achieve large-scale improvement. A specific and verifiable benchmark for long-term improvement should be established but in order to avoid undue delay or timidity in instituting vigorous action the benchmark should be accompanied by clear and ambitious milestones for assessing progress.
12. The Agreement should pursue this approach by being developed as the first in a series of Agreements and providing reasonable predictability about the longer-term future of its initiatives. This should include, for example, providing policy and resource parameters for at least a ten-year period that are sufficiently firm and specific to attract major commitments from private and non-profit entities.
13. The Agreement should focus especially on providing transformational catalysts and pressures for sustained, systemic change rather than, even in the initial years, relying substantially on tentative “pilots” and “one-off” projects. Key elements of assistance to be provided and corresponding requirements should be specified on a rational and consistent basis rather than unduly entrenching inefficiencies in current practices.

A Practical Emphasis on Effective Outcomes

14. The Agreement should focus mainly on achieving actual improvements in access to affordable housing rather than on prescribing detailed methods for doing so. This should include effective and transparent monitoring of progress towards appropriately defined outcome targets.
15. For example, the Agreement should give priority to improving the occupancy of low-cost housing rather than just the supply. Little is achieved if much low-rent housing is occupied by high-income people who could pay more while many people on lower incomes remain in unaffordable housing.
16. The Agreement should also seek to maximise the overall economic and social effectiveness of affordable housing from the viewpoints of its occupants, the local community and the broader public interest. This goes beyond just achieving levels of affordability for rent or mortgage payments.
17. For example, the Agreement should seek to achieve reductions, or at least not cause increases, in
- energy and transport costs that are affected by the nature and location of housing;
 - workforce disincentives and disadvantages that arise from the criteria used for selecting tenants, fixing rents and deciding lengths of leases.
18. In these and other ways, the Agreement should seek to improve economic and social opportunities for occupants of affordable housing. This applies especially to key transitions in circumstances related to child rearing, employment, family breakdown and aging.

KEY TERMINOLOGY, GOALS AND TARGETS

19. There was broad support amongst participants for key elements of the framework of terminology and indicators outlined in *Background Paper No 2*. This included the proposals for
- a broad definition of “affordable housing”;
 - allied indicators of affordability (the Principal Supply Indicator and Principal Occupancy Indicator);
 - core categories of household income (“very low”, “low”, and “middle”; with “lower” collectively describing the first two categories);
 - a system of accredited “affordable housing managers”.
20. Other proposals for terminology relating to categories of household need and of housing owners and managers, and to the concept of “affordable housing programs”, appeared to have support but were not the subject of substantial discussion.
21. There was substantial support in principle for specifying a long-term goal of reducing the incidence of unaffordable housing by a quantified amount over a period of, say, fifteen years. A proposal of this kind was included in *Background Paper No 3*.
22. Many people regarded inclusion of such a goal in the Agreement as being of crucial importance although some emphasised that close attention would need to be given to the practicalities of measurement, feasibility and political acceptability. Some people believed that these difficulties made it unwise to place great emphasis on including such a goal in the Agreement.
23. The concept of “contributory targets” as outlined in *Background Paper No 3* received strong support. It was widely seen as providing practical and effective assistance for development, implementation and monitoring of the proposed Agreement. This applies, for example, to specific targets for improving supply of housing managed by public and non-profit entities and for increasing the quantum of private investment in such housing.

CORE PACKAGES OF ASSISTANCE

24. There was strong support for the general concept of a Core Package of Assistance as outlined in *Background Paper No 4*. This included the key goal of providing a package which would maximise public and private investment in affordable housing in accordance with guiding principles of the kind summarised earlier.
25. Special emphasis was placed on the need for terminology and types of assistance in the Package to be clear, rational and integrated in order to help stimulate sustained and effective commitment of resources by government, private enterprise and non-profit organisations. The need for national consistency on “headline” matters, with adequate flexibility for subsequent application to local circumstances, was also emphasised.
26. The Forum was not intended to assess comparative levels of support for the two differing packages outlined in the background paper and it did not do so. Widespread agreement was expressed with the tripartite structure that was adopted in each of the packages. This structure focused on
- improving arrangements for existing public and community housing stock;
 - achieving substantial growth in low-rent housing, especially housing that is occupied by lower-income households;
 - providing more cost-effective assistance for low- and middle-income purchasers of affordable housing.
27. It was emphasised, however, that a key aim of the Agreement should be progressively to reduce unnecessary distinctions between, for example, current and existing stock, different types of housing manager, and rental or purchase stock.
28. Many participants expressed views about the main directions for action that should be pursued through the Agreement’s core package of assistance. A number of common strands of opinion can be suggested on the basis of these views.

Current Public and Community Housing Stock

29. The core package should provide stable and cost-effective funding for the current levels of public and community housing stock. One way of doing so could be to replace current Commonwealth grants by paying Commonwealth Rent Assistance to public housing tenants on the basis of market rents and providing supplementary assistance where necessary to achieve adequate affordability. Alternatively, the current levels of Commonwealth and State grants to providers could be increased and indexed appropriately.

30. The Agreement should reduce the workforce disincentives and obstacles arising from public and community housing programs, as well as the concentrations of severely disadvantaged tenants. It should include requirements and incentives which improve the socio-economic diversity of tenants and their work opportunities as well as preserving assistance to them during transitions to work. The decline in proportion of tenants who are able to afford market or near-market rents should be reversed.

Additional Low-rent Stock

31. The Agreement should establish a new government subsidy system to help increase the amount of low-rent housing, with special emphasis on housing that is occupied by lower-income households. The system should focus principally on subsidising “additional stock” in the sense of housing that is either newly-constructed or was not being occupied by a lower-income household on an affordable basis and under reasonable conditions.

32. The new system should aim principally at providing subsidies of a nature and size, whether one-off or recurrent, which will attract substantial levels of private investment in such housing. It should be directed solely or principally to housing that is managed by registered “affordable housing managers” which are subject to requirements concerning selection and management of tenants.

33. The new system should be funded principally by

- a specific level of Commonwealth Government subsidy with standard eligibility criteria and outcome requirements, as well as a ceiling on overall Commonwealth expenditure; and
- a “matching” level of subsidy provided by each State government (or obtained by it from other sources such as local governments).

The level of matching subsidy at State level should be specified in the Agreement and could be provided through a combination of direct cash payments or other subsidies such as free land, tax benefits, maintenance guarantees, planning bonuses etc.

34. The new system should be supplemented by additional subsidies that are provided or arranged by State governments in order to meet needs of particular households (eg, very low-income), particular localities (eg remote or high-cost areas) or other special circumstances or priorities within their own jurisdictions.

Affordable Home Purchase

35. The Commonwealth program of home purchase assistance should place more emphasis on purchase of affordable housing by lower- and middle-income households. It should also be better linked with Commonwealth Rent Assistance in order to encourage transitions from rental to home purchase, especially under “shared equity” arrangements.

36. Other important ways of assisting affordable home purchase include subsidies for sales of public housing to sitting tenants, and rearrangement of current Commonwealth or State tax assistance for purchasers and owners,

SOME ESSENTIAL LINKAGES

37. There was strong emphasis at the Forum on the need to link the Agreement with national initiatives to improve the impact of planning and building regulation on housing affordability and on the broader economic and social effectiveness of affordable housing.

38. It was recognised that the special needs of housing for indigenous people were a very high priority that might need to be addressed principally by a separate process even if ultimately included in the Agreement.

CONCLUSION

39. The Forum also discussed a number of strategies which could help to persuade politicians and the broader community of the need for substantial and sustained action to improve housing affordability, especially through a National Affordable Housing Agreement.

40. There was strong support for emphasising the crucial impacts of housing affordability on the broader economy through its effect, for example, on household debt, consumer spending, wage levels, interest rates and international trade. This applied also to the impacts on families and communities in relation to fertility rates, parenting, family cohesion, transport needs and community development. The exacerbating impact of higher petrol prices in this context was also emphasised.

41. The value of defining and addressing the problems of affordable housing in an inclusive way was emphasised as essential for maximising public understanding and support. But it was recognised that failure to substantially improve the position of households most in need could erode general support for an Agreement as well as reduce its long-term effectiveness in both economic and social terms.

42. There was some emphasis on the need to explain how the requisite funding for the assistance under the Agreement could be obtained. This included explaining that the required public funding amount would be a very small proportion of overall government expenditure and, in any event, public borrowing for long-term infrastructure investment was entirely compatible with prudent fiscal policy. It was also suggested that large amounts of revenue could be generated by reform of existing tax benefits.

43. Frequent reference was made to the importance of attracting interest and support from major financial institutions, pointing out that the Agreement could provide a new field for profitable and secure investment either directly or through government-guaranteed affordable housing bonds. Special emphasis was placed in this context on the investment needs and potential contributions of superannuation funds, and on the favourable experiences of Australian businesses which have been involved in affordable housing programs initiated by governments overseas.

44. It was widely agreed that many of the key decisions would need to be made at the level of heads of government and Treasurers and on a national basis. The issue should be made a priority item on the agenda of Council of Australian Governments (COAG) and should be discussed in detail at meetings between treasury officials, business sector groups and community organisations with special expertise in the area.

FOR FURTHER INFORMATION ABOUT THE FORUM

- see the Forum section of the website www.housingsummit.org.au
- send an email to info@housingsummit.org.au

Forum Hosts



Australian Council
of Social Service



Australian Council
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National Housing
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A Creeping Crisis

Affordable housing is crucial to a country and its people. Without it, people are impoverished, families and communities eroded, jobs lost, the economy weakened, and the environment damaged. During the last 20 years or so in Australia, and especially over the last decade, these impacts have become increasingly apparent.

During the last decade or so,

- average house prices relative to income have almost doubled;
- the proportion of first homebuyers has fallen by about 20%;
- average monthly payments on new loans have risen by 50% (\$500);
- the proportion of low-rent homes has fallen by at least 15%;
- opportunities to rent public housing have fallen by at least 30%.

At least $\frac{3}{4}$ million lower-income households have housing costs above the affordability benchmark of 30% of income. Many others have to live in unsuitable housing to avoid unaffordable rent or mortgages.

House prices are still rising in many areas and in others have fallen very little. Even a 20% fall would not restore adequate affordability (and would create other severe problems). Rents are now rising substantially and most vacancy rates are very low.

These problems are not just cyclical and are worse than in many other developed countries. They would be increased by further interest rate rises. Vigorous action is needed at all levels of government to halt the creeping crisis of unaffordable housing.

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