

15th December 2016

Review of rent models for social and affordable housing

The Illawarra Forum is the peak body working for community services and organisations in the Illawarra and the Shoalhaven. We support community organisations, promote expertise and innovation, foster industry development and promote social justice.

As a peak body, we represent the approximately 300 non-government community services organisations which provide support to vulnerable people in the Illawarra and Shoalhaven.

We consult with our members regularly, and homelessness and the lack of affordable housing is regularly reported by our members as the most significant issue impacting vulnerable communities in the Illawarra. Having a safe, stable and affordable place to live is fundamental to addressing other issues such as mental illness, domestic or family violence, substance abuse, or unemployment.

Social and Affordable Housing in the work of the Illawarra Forum

In our role as the Voice, Influence and Leader of the community services industry, the Illawarra Forum has worked to improve housing security and availability in the region. Recent activities include:

- 2012 - Issues Paper on Homelessness
- March 2014 - Submission to the NSW Legislative Council Select Committee Inquiry into Social, Public and Affordable Housing,
- May 2014 - Appearance as witness to the Legislative Council Select Committee Inquiry into Social, Public and Affordable Housing,
- August 2014 – ‘Navigating Housing Options’ - a seminar for community workers,
- February 2015 - Submission to Department of Family and Community Services on ‘Social Housing in NSW: A discussion paper for input and comment’,
- June 2015 - Participation in the Social and Affordable Housing Fund Consultations,
- October 2015 - Submission to NSW Fair Trading on the ‘Statutory Review of the Residential Tenancies Act 2010: Discussion Paper’,
- 2015 – Lobbying, representation and awareness raising focused on the Residential Tenancies and Housing Legislation Amendment (Public Housing - Antisocial Behaviour) Bill,
- June 2016 - Regional Affordable Housing Cross Sector Breakfast in partnership with the Property Council,

- Regularly hosting tenant forums to provide information and capacity building for social housing tenants.

Context of the Review

Illawarra Forum queries the assertions in the issues paper regarding the relationship between workforce participation and rent setting. It would be damaging and misleading to have the review take place within the context workforce participation, particularly as rent models in themselves have little influence on workforce participation; however, access to secure, suitable housing will drive economic participation rates for those who can work. The 2007 National Social Housing Survey of public rental housing noted:

“Overall, the survey results highlight that the obstacles to improving the economic participation and employment levels of tenants are varied, and that strategies that take measure of individual reasons for not working and tenants’ circumstances have a greater chance of success”.¹

The issues paper highlights the changing demographics of social housing tenants and the high proportion who have significant and complex needs. It can therefore be argued that rental models would have a minimal impact on economic participation for these groups. A focus on providing holistic, coordinated supports which are easily accessible to tenants could have a far more significant impact.

Furthermore, a study by AHURI highlighted a range of factors that affected workforce participation rates amongst social and affordable housing tenants. This included both structural and behavioural characteristics at a core and underlying level including lack of information about housing assistance, an individual’s skills and capacities, limited job opportunities in communities with low cost housing, predictability of housing costs, security of tenure and home responsibilities”²

The Illawarra Forum concurs with the issues paper that workforce participation can be increased for social/ affordable housing tenants through strategies for community renewal and community building including job creation; and that housing assistance enables people to move to areas with better employment prospects.

Taking this contextual standpoint into account, Illawarra Forum makes the following recommendations based on some of the questions posed in the paper.

1) Definition of cohorts

Illawarra Forum recommends that tenants and home seekers not be defined as “safety net” and “opportunity”, but as people seeking housing assistance. We oppose the defining of cohorts as this promotes the notion of “deservingness” as well as a judgement of ability to change circumstances.

¹ 2007 National Social Housing Survey of public rental housing

² *Housing and unemployment: the role of housing and housing assistance in making decisions about employment* Kath Hulse, Swinburne-Monash AHURI Research Centre, Bill Randolph, University of New South Wales-University of Western Sydney AHURI Research Centre

All people seeking housing should be assessed equitably based on their needs. These needs can then be used both to prioritise clients, assist in effective allocation, and identify the holistic supports required by the person or family.

5) Narrowing the definition for eligibility

Illawarra Forum strongly recommends that 'eligibility' not be narrowed, as it could result in people becoming more disadvantaged. Shutting more people out of the system could exacerbate current vulnerabilities, leading to an increase in the need for crisis and emergency housing options.

Keeping the definition, carrying out effective needs assessments, and providing information on the available options to the applicant, may assist people to move into alternate forms of accommodation.

7) Review of circumstances

Illawarra Forum recognises that a review of circumstances is understandable, and that rent increases may be part of this review. However the review should not impact the sustainability of tenancy for the tenant.

12) Additional assistance

Building of social infrastructure such as social and affordable housing should be regarded as an investment by government in the future of communities; investment that will save money across other portfolios including justice, health (including alcohol and drug dependency) and mental health.

Affordable housing supply could be increased through policies which incentivise investment in affordable housing, as well as inclusionary zoning policy. For example, the NSW Government could work with the Federal Government to develop tax offsets for people investing in affordable housing – either as developers or landlords. The cost of negative gearing to Government income has been well researched by the Grattan Institute, which recommends that the Commonwealth gradually ease these tax breaks incentives³. But the Australian Government could better direct the negative gearing offsets so that they were only available to landlords who provide affordable housing.

The Illawarra Forum also supports Grattan Institute's recommendation about reforming state and local planning systems so residents, developers, governments and local councils can achieve a long-term, negotiated approach to development. For example, local government could offer concessions for developers to encourage affordable housing. Such concessions could include reduction in or exemptions from Section 94 contributions, loosening of restrictions for parking requirements, or greater floor space ratio allowances in mixed tenure developments that include affordable housing.

We also recommend innovative models of housing such as integrated continuum models e.g. Haven: Home Safe and shared housing models which could utilise currently "unsuitable" dwellings in a different way. This could be particularly useful in the provision of transitional housing models.

³ Grattan Institute (October 2013) Report No. 2013-12, *Renovating housing policy* http://grattan.edu.au/wp-content/uploads/2014/03/800_Renovating_Housing.pdf

To improve the uptake of private rental by low income home seekers, Illawarra Forum recommends the removal of barriers to accessing and sustaining private rentals. We recommend that tenants, in a similar way to pre-approval for a home loan, can get pre approval for rent assistance and rental bonds, in order for them to be fully aware of what they are able to afford, and which properties may be available to them. No-interest bond loans of up to 100% should also be made available to be repaid through rents, with the ability to transfer bonds between properties as tenants move.

We strongly recommend that, given the growing surplus in rental bonds which currently stands at approximately \$66 million, the interest generated should be used to build more social and affordable housing stock.

We also encourage an increase in the use of intermediary bodies such as community housing providers to work with the private rental market and provide a security of tenure for tenants which is often a deterrent to accessing the private rental market.

17) Transition between housing providers

Flexible and simple transitions between social, affordable and private housing options is vital in fulfilling the aims of the transition goals of Government. This will become increasingly meaningful with the transfer of housing stock to community housing providers, and the push towards moving more home seekers into private rental.

18- 24) Rental models

Market rents should be dismissed as a concept within the social housing context, as it should not be about a housing market but rather providing homes as a basic human need. Likewise, using a percentage-of-income calculation as a basis for setting rent levels is flawed.

A more effective method of calculating an individual's rent would consider their remaining household income, after tax and basic living costs, with a view to recovering as far as possible the repair and replacement costs, as per the Cost Rent model.

Summary of Recommendations:

- Economic participation within the housing context should only be considered in terms of allocating appropriate housing in locations that have access to economic opportunities.
- Tenants should not be defined as “safety net” and “opportunity”, but as people seeking housing assistance.
- Eligibility should not be narrowed, as it could result in people becoming more disadvantaged.
- Home seekers need a clear upfront understanding of their entitlements prior to signing private rental agreements.
- Rentstart bond loans should be increased to 100% and repaid through rent over a longer period.
- Bonds should be portable to enable transfer of bonds from between properties when tenants move.
- The supply of housing should be increased through:

- a. A thorough assessment of current and future demographic information to plan the development of new social and affordable housing dwellings.
 - b. Working with Local Government to develop incentives which encourage the development of affordable housing including Section 94 concession, increased floor space ratios, relaxed parking requirements etc.
 - c. Lobby Federal Government for tax offsets to encourage investing in social housing – either as developers or as landlords, including changes to negative gearing to incentivise landlords who provide affordable housing.
 - d. Improvement in the assistance provided to people seeking and utilising private rentals.
 - e. Utilising the surplus in rental bonds to build new stock.
- Ease of movement between providers should be improved.
 - The cost of living should be a consideration factor in the setting of rents.

If you require any further information please do not hesitate to contact us.

Sincerely,



Nicky Sloan
CEO
Illawarra Forum Inc

