

**ACT GOVERNMENT SUBMISSION
TO THE
AFFORDABLE HOUSING WORKING GROUP**

Introduction

The ACT Government welcomes the opportunity to contribute to the deliberations of the Commonwealth-led Affordable Housing Working Group (the Working Group) as it seeks to identify potential financial and structural reform models to increase the national supply of affordable housing.

More broadly, the ACT welcomes the focus on improving housing affordability and recognises that housing is a fundamental human need and a critical building block and enabler for social and economic participation. Safe, secure and affordable housing provides a critical foundation for education and employment and is vital to individuals, families and communities realising their full potential and participating fully in community life.

Housing affordability is a national issue and it therefore demands a national response. To be successful this national response needs to clearly articulate the common challenges facing all jurisdictions, identify the programs and strategies already working in different jurisdictions and, importantly, understand those factors that distinguish jurisdictions and may require the development of tailored solutions.

The ACT Government would be interested in pursuing further multi-lateral and bi-lateral discussions with the Commonwealth and other jurisdictions on the four policy options canvassed in the Working Group's Discussion Paper. A national approach will be vital to achieving the scale required to deliver effective affordable housing solutions and provide certainty for potential investment. We are keen to help shape and inform the design of any new national or regional strategies to address the challenge of housing affordability.

ACT context

The ACT is a city-state with unique status as the nation's capital. The ACT Government also fulfils the responsibilities and delivers the programs and services that, in other jurisdictions, are provided across both state/territory and local governments. As such, the ACT can be more agile and responsive than other jurisdictions and therefore presents as an ideal partner for developing and trialling alternative housing affordability strategies.

The ACT Government is keen to explore opportunities for greater partnership with the Commonwealth. We are already participating – alone amongst the states and territories – in the Commonwealth's Asset Recycling Initiative and this process is tied to a public housing renewal program that will see the replacement of 1,288 ageing public housing properties over the four year period 2015-2019.

Closer collaboration with other jurisdictions, most obviously with NSW through an approach geared to the broader Canberra region, also has the potential to deliver efficiencies and create new opportunities to more effectively tackle the challenge of housing affordability.

Nevertheless, the ACT's unique circumstances contribute to a number of factors that make the ACT housing market different to other jurisdictions, including higher average household incomes, different income profiles and higher costs of living.

In the ACT, households in the two lowest income quintiles (Q1 and Q2) earn up to approximately \$53,000 and \$95,000 per annum, respectively,¹ however many of these households still experience housing stress, paying more than 30% of their income on housing costs. This highlights the importance of considering local markets and socioeconomic indicators in initiatives to address housing affordability.

From the early 2000s until 2010, house prices in the ACT grew rapidly, increasing by 51% for established houses and 42% for attached dwellings.² Subsequently, approximately 13% of low-income workers in the ACT (or 27,500 individuals) in lower paid occupations in the private sector (including in the community, health, construction, retail and hospitality sectors) are experiencing housing stress.³

Average rents in the ACT have also grown substantially over the last decade, growing by 16% between September 2003 and March 2015.⁴ The 2016 *Report on Government Services* (ROGS) showed that approximately 84% of the 11,888 ACT households in the private rental market receiving Commonwealth Rent Assistance (CRA) are receiving the maximum rate of assistance, and yet over 50% are still in housing stress – the highest proportion in Australia. This statistic starkly demonstrates the limited impact of CRA in the ACT and the need to consider reform of Commonwealth housing assistance programs.

The ACT Government is committed to supporting low income households in housing stress through a range of supply and demand-side responses. Since 2010, average house prices (and rents since 2013) have stabilised,⁵ due both to market factors and actions taken through the government's *Affordable Housing Action Plan* (the Plan). First introduced in 2007, the Plan accelerated the ACT's land release program and introduced significant planning and taxation reforms aimed at improving rental and purchasing affordability for low income households.

The ACT is leading the nation in taxation and planning reform. Actions under the Plan include a shift from transactional property taxes to a broader land tax approach, with land tax reduced on properties with average unimproved land values between \$75,000 and \$390,000. The progressive abolition of stamp duty – a reform Prime Minister Turnbull recently endorsed – is also proceeding.

¹ Australian Bureau of Statistics, *Household Income and Wealth, Australia, 2013-14*, cat. no. 6523.0 released 16 December 2015.

² Australian Bureau of Statistics, *Residential Property Price Index, Eight Capital Cities*, December 2015, cat. no. 6416.0, released 22 March 2016.

³ Housing and Homelessness Policy Consortium ACT, *Housing Affordability and the Labour Market in the ACT*, released February 2016, p. 18 and 37.

⁴ Housing and Homelessness Policy Consortium ACT, *Housing Affordability and the Labour Market in the ACT*, p. 11.

⁵ Housing and Homelessness Policy Consortium ACT, *Housing Affordability and the Labour Market in the ACT*, p. 13.

Additionally, the ACT Government's social housing system is effectively preventing housing stress for many households in Q1 and Q2. As of 30 June 2015, 22,096 people resided in public housing in the ACT in 10,611 tenancies, with nearly 99% of these households having incomes in the lowest two income quintiles, the highest level of all jurisdictions.⁶ Over 95% of tenants were in receipt of a rental rebate which establishes their rent at no more than 25% of gross weekly income and, subsequently, only 0.1% of households in public housing and 0.4% of households in community housing were in housing stress.⁷

Social housing provides a vital safety net for households in greatest need, including people experiencing homelessness, escaping domestic and family violence or living in unhealthy situations. Nevertheless, despite this good progress, many Canberra individuals and families, particularly those who rely on the private rental market, are in housing stress and need further support.

The ACT Government has been proactive and responsive in seeking to address housing affordability in the ACT. The mix of supply and demand-side strategies already progressed has had some success and the government has successfully exercised the levers over which it has control. In reality, however, there are clear limits to what the ACT can do alone and many of the key determinants of housing affordability sit within the control of the Commonwealth – most notably, overall economic management, taxation and immigration policy. The ACT Government welcomes the national discussion which has emerged around housing affordability and around the need for coordinated policy settings across different jurisdictions.

The ACT's social housing portfolio in comparison to other jurisdictions

The 2016 ROGS indicates that, in 2014-15, there were 321,627 public housing dwellings across Australia. The ACT's share of this total was 10,833 dwellings (3.37%). There were also 72,105 community housing dwellings nationally and, of these, 663 (0.92%) were in the ACT.

Overall, there were 403,767 social housing dwellings in Australia in 2014-15 and the ACT's share was 11,496 properties (2.85%). At 30 June 2015, Australia's population was 23,781,200 and the ACT population was 390,800 (1.64%).⁸ The ACT's share of the total available social housing is therefore well ahead of the national average. Indeed, the ACT has 30 social housing dwellings for every 1,000 people against a national average of just 17 dwellings.⁹

The profile of social housing in the ACT differs from that in other jurisdictions. The ACT has a greater share of public housing than the other states and territories with public housing

⁶ Productivity Commission, *Report on Government Services 2016*, <http://www.pc.gov.au/research/ongoing/report-on-government-services/2016/housing-and-homelessness>.

⁷ Productivity Commission, *Report on Government Services 2016*.

⁸ Australian Bureau of Statistics, *Australian Demographic Statistics*, June 2015 quarter, cat. no. 3101.0, released 17 December 2015.

⁹ Reform of Federation White Paper, *Housing and Homelessness Issues Paper No. 2*, Appendix B, released December 2014.

being the predominant social housing form in the ACT, providing 94.23% of all social housing. This compares to a national average of 82.14% public housing. In 2013-14, 7.1% of all ACT households were public housing which is well above the national average of 4.4%.

Much of the ACT public housing stock is old with an average age of more than 29 years, making it the oldest property portfolio in Australia. Despite the age of the ACT's public housing, ROGS shows that it continues to enjoy high occupancy rates (98% for public housing) which were above the national average. Overall satisfaction rates are also high with ACT public housing tenants recording an 82% satisfaction rate when polled in 2015.¹⁰

Nevertheless, the age of the ACT's public housing properties does contribute to higher recurrent operating costs per dwelling which average \$9,630. This is the third highest cost per jurisdiction (behind only the NT and WA) and compares to a national average of \$8,486 per dwelling. In response, the government is currently delivering a public housing renewal program which will replace some 1,288 dwellings or 11% of total public housing stock over a four year period (2015-2019).

The performance of the ACT's social housing sector in comparison to other jurisdictions

The ACT leads all jurisdictions in delivering a highly targeted social housing system. The latest ROGS data shows that 96.7% of all new public housing tenancies were allocated to those in greatest need in 2014-15, against a national average of 73.7%. Indeed, only Queensland amongst the other states and territories had an allocation rate above 90%.

The situation is very similar for community housing where the ACT achieved a rate of 97.9%, compared to a national average of 73.4%. ACT community housing providers performed a minimum of 12 percentage points better than the best performers in the other states and territories which, once again, were in Queensland.

The ACT results are particularly pleasing as they show that both public and community housing providers are able to provide highly targeted services to those in greatest need. The results demonstrate the strength of a consistent across sector approach and show that public and community housing providers can collaborate effectively to achieve optimal outcomes for those in greatest need.

As at 30 June 2015, there were 2,320 applicants for ACT public housing on waiting lists.¹¹ While the government works on different levels to reduce this number and respond to the needs of those on the waiting lists, the size of our waiting lists compares favourably with other jurisdictions and indicates that, overall, the ACT is doing well in providing sustainable and affordable housing to those most in need.

¹⁰ ACT tenant satisfaction survey results for public and community housing, 2015, reported in Community Services Directorate, *Annual Report 2014-15*, p. 19.

¹¹ Community Services Directorate, *Annual Report 2014-15*, p. 103.

As a percentage of our housing stock, the ACT waiting lists represent about 21% of the public housing portfolio (see table below).¹² In a number of other states, the waiting lists represent more than half (and up to almost 70%) of public housing stock.

Jurisdiction	Dwellings	Waitlist	Waitlist as percent of stock
ACT	10 833	2 320	21.4%
NSW	110 214	57 345	52.0%
VIC	64 404	34 464	53.5%
QLD	51 248	12 565	24.5%
WA	33 361	22 696	68.0%
SA	39 428	19 062	48.3%
TAS	7 234	2 587	35.8%
NT	4 905	2 950	60.1%
Australia	321 627	153 989	47.9%

Notwithstanding these more favourable comparisons, the ACT continues to face similar challenges to the other states and territories and unresolved housing affordability issues will continue to place demands on an increasingly targeted social housing system.

Despite the similar experiences of all states and territories, the circumstances of the ACT also differ in key respects – for example, the higher proportion of public housing in the ACT. It is important that these differences are acknowledged and understood when seeking to identify or design new financial and structural reform models that might help to increase the supply of affordable housing.

The ACT has an atypical housing market characterised by high average household incomes and housing costs – factors associated with Canberra's status as the nation's capital and our unique land tenure and land supply arrangements. This means that people earning low to moderate incomes in the ACT can experience particular stress in the private market.

Highlighting this fact is the reality that more than 50% of low income households in the private rental market are experiencing housing stress (paying more than 30% of their income in rent), despite receiving Commonwealth Rent Assistance.¹³ The ACT Government is committed to continuing to help those in greatest need – and to working to ensure that the current national focus on housing affordability can give these efforts added momentum.

The highly targeted nature of the ACT public housing system, however, has resulted in a greater proportion of tenants receiving a rental rebate, and has led to a reduction in the revenue base of ACT public housing as the majority of tenants' sole or main source of income is Commonwealth Government pensions or benefits.

The ACT Government is keen to explore options in collaboration with the Commonwealth, states and territories, to deliver sustainable public housing and tackle housing affordability through coordinated and complementary actions.

¹² Productivity Commission, *Report on Government Services 2016*.

¹³ Productivity Commission, *Report on Government Services 2016*, Table GA.28.

ACT Government actions to improve housing affordability in the ACT

The ACT Government first implemented an Affordable Housing Action Plan (the Plan) in 2007. The Plan included 63 initiatives aimed at addressing issues across the entire housing continuum from home ownership to supported accommodation and emergency housing.

The Plan included eight key themes:

- allow the housing market to operate as efficiently as possible through ensuring a sufficient supply of land and stabilise house prices in a period of growth;
- maintain a planning and land release system that supports the delivery of an adequate supply of land and is responsive to changing demand;
- ensure competition in the market to deliver cost efficiencies;
- facilitate diversity in housing products and prices through the planning regime to deliver innovative, affordable house and land packages;
- facilitate growth in the community and not for profit housing sector and encourage shared equity;
- make efficient and effective use of public housing assets;
- support the delivery of adequate supplies of private rental properties to stabilise rental vacancy rates and prices; and
- encourage industry cooperation in demonstration villages and estates, through advisory processes and through the support of projects that complement the Government's affordable housing objectives.

Achievements under the first phase of the plan included:

- accelerating the land release program with more than 3,400 dwelling sites being released in 2007-08 which was, at the time, the largest residential land release program since self government;
- \$200 million in funding committed through the Building the Future program, primarily for infrastructure in new developments;
- the ACT being the first jurisdiction to introduce a compact housing code for blocks less than 250m² to help facilitate the availability of affordable house and land packages;
- an enhanced stamp duty concession scheme for eligible first home buyers, which allowed the deferred payment of stamp duty for up to five years and increased the stamp duty income threshold to \$120,000 per annum - these concessions were further enhanced in later iterations of the Plan;
- introduction of a Land Rent Scheme to allow eligible home buyers to rent (rather than purchase) the land component of their property;
- a requirement for 15% of all new residential estates to include affordable house and land packages for \$300,000 (at the time) or less – this requirement was subsequently increased to 20% of all new developments;

- the introduction of the *OwnPlace* program by the Land Development Agency which established a panel of builders who were able to construct affordable housing on compact blocks; and
- support for CHC Affordable Housing to deliver 500 new properties for affordable sale plus 500 additional properties to be made available for affordable rent over ten years.

Phase 2 of the Plan was released in 2009 and had a primary focus on tackling homelessness and providing accommodation for older persons. It added 21 new initiatives to the Plan under the following broad headings:

- intensive engagement with people becoming homeless;
- support for 'at risk' groups to maintain their housing;
- providing housing and support at critical points of need;
- a whole of government framework to respond to homelessness;
- increasing the supply and diversity of accommodation for older persons; and
- enabling ageing in place.

A third phase of the Plan was released in June 2012 and aimed particularly to improve rental affordability for households in the lower two income quintiles. A further 14 action areas were identified and sought to address four primary objectives:

- increasing the supply of rental accommodation;
- making better use of existing sites within Canberra;
- relieving blockages to affordable home purchases; and
- providing more short-term accommodation options.

Included in these action areas were a number of specific taxation reforms including:

- phasing out conveyance duties;
- reducing land tax for properties at the lower end of the private rental market; and
- retargeting the Home Buyer Concession Scheme to new dwellings and increasing the value and income thresholds.

Another major action under Phase 3 of the Plan was the replacement of a single affordable housing price threshold (\$337,000) with three thresholds linked to dwelling size. The change was made in consultation with industry and in response to concerns that the single threshold was driving an oversupply of small single-bedroom dwellings in the affordable housing market.

Overall the Plan includes 98 initiatives. Responsibility for each of the initiatives sits across different ACT Government directorates where the initiatives form part of the directorates' ongoing work programs and, where appropriate, are assessed and reported against through

standard directorate processes. Three overarching progress reports on Plan’s implementation have been compiled and a summary of actions is shown in the table below.

	Implemented	Ongoing	Withdrawn	Total
Phase 1	43	17	3	63
Phase 2	12	9	0	21
Phase 3	6	8	0	14
Total	61	34	3	98

Policy options at Federal and State/Territory levels which may help to more effectively address housing affordability

As outlined above, the ACT has successfully implemented a range of policies that have helped to deliver greater numbers of affordable housing for purchase. These policies relate largely to the supply of Greenfield land and include the introduction of a Land Rent Scheme and a 20% affordable housing requirement for new residential developments.

There is also a range of concessions and financial incentives to assist first home buyers that are widely used across Australia.

The more difficult issue is delivering affordable rental accommodation. The ACT Government has attempted to attract large scale investment in residential accommodation that can be made available for affordable rental. However, as a small jurisdiction we have not been able to offer an adequate scale of investment to attract significant interest. Economies of scale are likely to present barriers to other smaller jurisdictions as well and lend to arguments for a national approach, or at least cross-jurisdictional collaboration, in this area.

It is clear that a new non-government source of funding is required if real progress is to be made in increasing the supply of affordable rental properties.

Therefore the ACT Government would advocate for a national approach to be adopted in developing policy options aimed at attracting investment in affordable rental properties. The government also sees advantages in developing one consistent national approach to affordable rental to reduce regulatory barriers and administrative burden.

The ACT Government has established a high-level Senior Officials group to oversee and direct local action to support this work. This group has responsibility for providing high level advice to government on strategies to improve housing affordability in the ACT. It will oversee consideration of the ACT’s *Affordable Housing Action Plan* and the development of possible and preferred options for improving housing outcomes for target groups. In this regard, Q2 households have been identified as one group which is particularly vulnerable to housing stress in the private rental market.

The ACT Government is currently developing housing policy responses that will help to increase affordable home ownership, increase affordable rental housing and better target housing assistance. Recent data from the Property Council of Australia suggests that the

ACT is the most affordable city in Australia,¹⁴ indicating good progress against the first objective while the ACT's results detailed in the *2016 Report on Government Services* show considerable success against the third objective. Increasing affordable rental housing is a continuing challenge and the area of greatest and immediate need.

The ACT Government considers a focus on this area would deliver the greatest benefits for at-risk members of our community; those who are employed in low skilled work and earning low to middle incomes. This group does not present as a high priority for public or community housing but often struggles to sustain tenancies in the private rental market and frequently experiences housing stress, often at severe levels. Strategies are required now to help this cohort before households become dependent on government housing assistance.

The ACT Government looks forward to continuing to work with the Commonwealth and other jurisdictions to address these important issues.

¹⁴ Packham, Rachael, 'ACT is the most affordable state or territory to buy property' <http://www.domain.com.au/news/act-is-the-most-affordable-state-or-territory-to-buy-property-20160308-gndman/>, 8 March 2016.