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RE: Council on Federal Financial Relations Affordable Housing Working Group

Anglicare Australia welcomes the formation of the Affordable Housing Working Group, and the opportunity to provide input into the considerations of the Working Group.

This submission is informed by the practical advice and experience of the Anglicare network. We recommend a set of principles for the Working Group to consider as members assess submissions that propose new and innovative ways of financing an increased supply of affordable housing. We then outline the barriers experienced by our member agencies in partnering to provide more affordable housing, and share some of the potential solutions to overcome these barriers. We also provide high-level responses to the financing models proposed in the Issues Paper, which we will seek to explore further in our upcoming meeting with the Social Policy Division of Treasury.

About Anglicare Australia

Anglicare Australia is a network of over 40 independent local, state, national and international organisations that are linked to the Anglican Church and are joined by values of service, innovation, leadership and the Christian faith that every individual has intrinsic value. Our services are delivered to one in 40 Australians, in partnership with them, the communities in which they live, and other like-minded organisations in those areas. In all, over 12,000 staff and almost 7,800 volunteers work with over 930,000 vulnerable Australians every year delivering diverse services, in every region of Australia.

Background

One of the themes underpinning the Anglicare network's service provision and advocacy agenda is a commitment to listening to and acting on the lived experience of people on low incomes. In this context, addressing the lack of affordable housing continues to be one of the top priorities that Anglicare agencies identify as necessary to overcoming the level of disadvantage experienced by their service users. We cannot ignore the impact that a lack of affordable housing has on the quality of life of people with limited incomes. Low income households, such as those on minimum wage or government payments, are pushed further out of the housing market each year, and we are unlikely to see this trend reverse without a collaborative and concerted effort by Australian governments, the private sector and the community sector.¹

Anglicare Australia believes that acquiring a secure and suitable home is a significant factor in ensuring the health, wellbeing and inclusion of individuals and their families in our community. Affordable and appropriate housing does not only provide a physical structure to house its

¹ Anglicare Australia encourages Working Group members to familiarise themselves with the findings of Anglicare Australia's research series [Rental Affordability Snapshot](#), which is an annual project surveying the affordability of rental properties for people living on a low income in Australia.

occupants, it also enables individuals to participate meaningfully in education, employment and the life of their community.

Anglicare Australia has consistently called for a national plan for affordable housing, and for leadership and collaboration between Australian governments, so we are particularly encouraged by the collaborative work being undertaken by the Working Group. Work on financing models is a key component to increasing social housing stock sustainably and responsibly, and increasing housing stock that matches changing population needs. Equally, Anglicare Australia knows this focus on supply needs to be matched with recognising that income inadequacy is a barrier to secure housing and meaningful social participation, and Australia's tax system needs to be recalibrated in ways that facilitate making affordable housing more available.

While outside the Working Group's terms of reference, tax reform is within the sphere of influence of the group's membership. Negative gearing and capital gains tax may once have had an important role encouraging investment in property, bolstering the creation of wealth for a generation. However, this and coming generations are increasingly locked out of the property market due to policy settings such as these. Negative gearing and capital gains tax policies no longer serve a purpose for the common good, but rather serve to benefit a select group. The negative gearing and capital gains tax mechanisms need to be put back on the table, have their utility assessed and then reformed as necessary to support the supply of new housing or affordable housing to those most in need of it.

Anglicare Australia is particularly encouraged that social housing is included in this discussion on affordable housing. The purpose of social housing, and the responsibility of all governments, is to ensure those who are unable to house themselves are supported with adequate and appropriate shelter. Too often, the debate about housing affordability stops and ends with the costs associated with home ownership, which silences the much needed policy debate about how to best ensure there is adequate supply and affordability across the entire housing continuum.

Recommended principles

Anglicare Australia recommends the following principles to guide the Working Group's consideration of models and submissions:

- housing affordability cannot be solved by the market alone
- government should not exit the field
- collaboration between government, private sector and community sector should be strongly encouraged
- risk should be shared between partners
- there is not going to be a one size fits all solution to housing affordability
- accessing affordable housing is not a one-time thing – we must ensure that people can maintain their housing.

There continues to be role for government in offering financial incentives to the business sector and community organisations to build and rent dwellings to low and moderate income households. It is vital that the federal government plays a leadership role in this respect, and that there is a national plan addressing housing affordability with buy in from the states and territories.

We encourage the Working Group to explore how risk can be better shared between partners. Risk aversion can prevent action on housing affordability, and too often the public policy conversation is about how to shift the burden of risk from government onto other players rather than how both the risks and rewards can be shared.

Finally, when considering the proposals put forward to the Working Group, we recommend the members keep an open mind when it comes to solutions that are targeted to a specific population group or geographic location. In order to address housing affordability, we need to ensure there is a mix of solutions across the housing continuum. While niche initiatives will not single handily solve housing affordability, Anglicare Australia sees value in initiatives that ease the pressure in a particular portion of the housing continuum. For example, if an effective model is proposed to assist renters purchase their own home, that may in turn create space for those currently shut out of the private rental market.

Strategies to overcome the barriers experienced by Anglicare Australia members

Anglicare Australia sought input from our member agencies in order to assess the barriers to improving housing affordability. While unlocking finance was a common theme, it is clear that access to capital is not the only barrier experienced by our member agencies who are actively pursuing partnerships and initiatives aimed to address housing affordability. Our members highlighted the importance of title transfer and long-term leases, access to government data, and co-designing the desired outcomes when developing and implementing models.

Access to land, and community organisations having guaranteed access over the long term (through title transfer or 99 year leases) is vitally important to housing affordability projects. More and more state and territory governments are transferring what public housing stock remains to the community sector. On the face of it, it could be seen that the transfer of this stock is a positive move as those providers could leverage the capital in those assets to build additional housing, thereby adding another mechanism supporting the increase of housing supply in Australia. However, this is not the case. Whilst the stock itself is being transferred, the title is not and the capital that would have come with the assets is not available to community organisations. Governments will neither accept the risk of leveraging assets for investment on a large scale nor make those assets available to other providers. Essentially, the state and territory governments have taken an expensive and failing system of housing provision and foisted it on the community sector, which has no authority or power to mitigate the risk, but has an ethical mandate not to walk away.

One of the benefits of exploring housing affordability projects that disrupt the dynamic of government as funder and community agency as funding recipient is that it presents the opportunity for new collaborative work to determine the intended outcomes. However, being able to measure and predict outcomes often relies on having access to government data. The federal government is making an important investment in building a comprehensive data set through the actuarial model being pursued by the Department of Social Services. When the Working Group is considering the mechanisms necessary to unlock financing, we recommend exploring ways to guarantee that full data sets are made publicly available so that we can shape effective and efficient interventions.

Responses to financing models proposed in Issues Paper

The models proposed in the Working Group's Issues Paper are reputable models. However, we had hoped to see more models that incorporate psycho-social supports. For some groups, ensuring that housing is more financially accessible will be sufficient intervention. However, for groups that are experiencing entrenched disadvantage, addressing affordability without addressing trauma, living skills, education etc will undermine the sustainability of their housing.

Model 1: Housing loan/bond aggregators

Anglicare Australia sees great value in establishing a housing finance intermediary. Many community agencies experience difficulties with scale, which could be addressed by a government or independent agency acting as an aggregator. When government plays a role in backing bonds, it offers certainty to investors and shows the financial sector that community agencies focused on delivering a social good are a sound investment.

Our members also report that they would welcome a mechanism to secure long term funding at guaranteed rates, which may be a function of an intermediary. Secure funding at low rates in turn guarantees a pipeline of projects over the medium term, which is needed to capture the interest of developers and lowers the risk profile of projects.

A limitation of this model is that while it addresses financing, it does not address the barriers associated with land transfer.

Model 2: Housing trusts

Housing trusts are an acknowledged way to refresh housing stock, however, we are concerned about the way that trusts can be used to shift the burden of risk from government to the community sector. There is often not a clear financial gain for community partners who take on the tenancy and property management, and then return the asset back to government. However, it is vitally important that community partners are engaged in housing trusts used to refresh housing stock because of the impact that housing renewal programs can have on tenants. Housing renewal can dislocate tenants from their communities so it has to be managed well, in partnership with the residents, community providers and government.

Increasing the use of housing trusts may necessitate regulation reform. Governments may need to harmonise legislation and regulation schemes, and come to a common understanding about building codes that meet accessibility needs and measures that increase affordability over the long term, such as solar hot water, solar power, rain water tanks, etc.

Model 3: Housing cooperatives

Housing cooperatives can increase supply, but this increase is likely to be small and isolated. Anglicare Australia sees the potential for housing cooperatives to ease pressure in the market if middle and higher income earners are creating cooperatives, and moving out of the private market. However, because cooperatives are member-based and in response to a common purpose, there may be mixed outcomes when considering how cooperatives respond to a regulatory framework.

The Issues Paper focuses on the financial outcomes associated with housing cooperatives, however, this is a model that may lend itself to the addition of social outcomes.

Shared equity is very attractive to community providers as it reduces risk, and our members report they experience less turnover where equity is shared. However, shared equity models operate on very small margins, which may limit the roll out of this model.

Our member, AnglicareSA together with Oryx Property has demonstrated an effective and innovative model that we would like to draw to the attention of the Working Group. AnglicareSA and Oryx Property's rent to buy scheme, developed in partnership with a private developer at Bowden, provides participants the ability to rent their apartment for the equivalent of 74.99% of the market rate for five years, and then to purchase the apartment in 2021, locked in at the 2014 price level. Further information about the scheme can be found in the appendix to this submission.

Model 4: Impact investing models including social impact bonds

Anglicare Australia is encouraged by the success that impact investing models seem to have had in homelessness and other community-based support programs. This approach seems to balance financial return on investment with social outcomes, and has included a strong emphasis on co-designing models with clients and residents. It seems to have been a successful model of unlocking investment and establishing clear outcomes.

Impact investing can have a significant impact on the business model of community sector agencies, which may act as a barrier to implementing the model. For example, rather than having one funder per program, impact investing can lead to multiple investors, and a redirection of agency energies and resources in order to maintain communication with all interested parties.

We are encouraged by the focus on articulating and measuring outcomes within an impact investing model. However, it does often rely on access to government data to predict outcomes. If this data is not available or accessible it can be difficult to accurately collect the evidence necessary to show whether the outcomes are being achieved.

Next steps

Anglicare Australia looks forward to meeting with representatives of the Social Policy Division of Treasury, and facilitating a conversation between our members and the Working Group.

Yours sincerely



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