Submission to the Australian Government Social Impact Investing Discussion Paper
March 2017
About Shelter WA

Our vision

Accessible, affordable, appropriate and secure housing and working towards the elimination of homelessness in Western Australia

Shelter WA was founded in 1979 as an independent, community based peak body committed to accessible, affordable and secure housing for Western Australians, and to working towards the elimination of homelessness in WA. Shelter WA believes housing is a basic human right. Safe, secure and affordable housing is a key requirement for people to engage in work, maintain healthy relationships and fully contribute to society.

Shelter WA advocates for policy settings and responses that facilitate appropriate affordable housing options for low to moderate income earners, for those who are otherwise disadvantaged in the housing market or experiencing homelessness. This is done by strong collaboration with the not-for-profit housing and social services sector, government, industry bodies, business, the community and research institutions.

Shelter WA is a member of the National Shelter Council and a member of the Council to Homeless Persons Australia, and has a seat on the Board of Homelessness Australia. This national membership strengthens Shelter WA’s capacity to represent Western Australia’s interest through participation in research, policy advocacy and engagement in national debate.

Shelter WA receives funding support from the Western Australian Housing Authority and is appreciative of this support from the State Government.

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Executive Summary

Shelter WA welcomes the opportunity to provide a submission to the Australian Government on its Social Impact Investing Discussion Paper. Shelter WA’s response to key questions in the Paper are provided in the context of delivering an increased supply of social and affordable housing and enabling funding for adequate services for people experiencing homelessness.

Shelter WA recommends the Commonwealth support social impact investing through:

- Enabling non-government community based organisations to fully participate in social impact investing through sector capacity building;
- Establishing shared, streamlined, robust data collection, measurement and evaluation frameworks for social impact investing that do not add an administrative burden to agencies;
- Assisting to design products that meet the needs of investors;
- Encouraging sufficient investment scale;
- Encouraging diversity of funding by a range of different investors;
- Fostering specialist intermediaries to create diverse portfolios, including the establishment of an Australian Affordable Housing Finance Commission (AAHC) as an expert non-profit financial intermediary;
- Assisting to reduce investment risk, including through the support of tax and planning regimes that encourage institutional investment;
- Supporting the development of a bond aggregator model for social and affordable housing;
- Supporting the development of an Affordable Housing Growth Fund;
- Considering a government guarantee to significantly de-risks the investment for the private sector;
- Reforming negative gearing and capital gains tax exemptions to support institutional investment into housing specifically for low-to-moderate income earners;
- Considering an Improved Incentive-Based Tax Credit Scheme for social and affordable housing;
- Reinvigorating the National Affordable Housing Agreement;
- Encourage State Governments to develop policy frameworks that can facilitate growth of the community housing sector;
- Exploring its use in the delivery of homelessness services to realise better individualised and community outcomes and savings for government.

Shelter WA believes that there is a significant opportunity to increase the supply of social and affordable housing through social impact investing, specifically through large scale institutional investment. There is also a role for social impact investing in homelessness services when implemented and managed effectively. Shelter WA believes the Australian Government must take a lead role in this agenda through creating a supportive and enabling environment for social impact investing.
Introduction

Shelter WA welcomes the opportunity to provide a submission to the Australian Government on its Social Impact Investing Discussion Paper. Shelter WA’s response to key questions in the Paper are provided in the context of delivering an increased supply of social and affordable housing and enabling funding for adequate services for people experiencing homelessness.

The Commonwealth Government has responsibility for financial market regulation, social and economic policy settings and funds, and therefore has the levers to enable the social impact investment market and increase the availability of capital for social and affordable housing and homelessness support services. It also can build the skills and capacity of the non-government sector to take advantage of social impact investment opportunities to deliver positive community outcomes.

As a broad principle, Shelter WA believes social impact investment should not be a substitute for public investment in social housing or homelessness services. It should assist government investment to be more efficient and effective in delivering demonstrated social benefits through a supply of social and affordable housing and homelessness services. Impact investing must be undertaken as an activity to promote social wellbeing, and not primarily as a cost saving activity, although this may be a secondary benefit.

What do you see as the main barriers to the growth of the social impact investing market in Australia? How do these barriers differ from the perspective of investors, service providers and intermediaries?

Non-Government Sector.

Social impact investment is a relatively new type of investment with limited exposure by many agencies in the non-government community services sector.

Recent research from Australian Housing and Urban Research Institute (AHURI) found that while diverse funding arrangements including social enterprises and social impact bonds generated new sources of funds for providers, these were relatively small (MacKenzie, Mc Nelis, Flatau, Valentine, & Seivwright, 2017). The research found that currently social impact investing is channelled into ancillary or additional support services, and not main services and into programs that would otherwise not be supported by government funding.

To enable non-government community based organisations (NGOs) to fully participate in social impact investing, sector capacity building will be critical. This includes the development of skills and resources to understand the risks and rewards of social impact investment, the creation of scalable, investment-ready projects and resources to negotiate often complex contractual arrangements. Current resource constraints within the sector mean that additional resources or support mechanisms will be critical to drive social impact investment uptake. Intermediaries to support sector growth and capacity will have a key role.
The establishment of shared, streamlined, robust data collection, measurement and evaluation frameworks, that do not add an administrative burden to agencies, will be needed to underpin the evidence base to measure social return on investment. It is critical that these have robust, cross agency governance frameworks. For example, homelessness, which can be the outcome of a suite of complex social issues, needs a holistic, integrated response. Evidence shows that the provision of housing, coupled with wrap around services, significantly reduces the cost to government in health, community and justice services (Wood, et al., 2016). Thought needs to be given to how this can be captured by and across agencies to capture the benefits and savings from a whole of government perspective.

AHURI research highlights that some social investment arrangements can be complex. It found that while new funding streams were created for new programs, it also came with additional administrative and accountability costs (MacKenzie, McNelis, Flatau, Valentine, & Seivwright, 2017). These additional costs and resource intense reporting procedures could be significant for smaller organisations. This must be considered as to not favour larger providers, to the detriment of smaller providers who may have more specialised expertise.

Concerns with non-government sector capacity is echoed by Tony Pietropiccolo, Executive Officer at Centrecare Inc., who indicates that the administrative and legal expenses associated with establishing these projects, along with the cost for independent assessors and ongoing bureaucratic monitoring, are largely hidden (Pietropiccolo, 2016). Additional concern raised was around the capacity to foster innovation from a risk / reward perspective. Most NGOs would need substantial seeding money to be able to create new service responses that are proven enough to attract social impact bond investment.

NGOs may see social impact bonds as an opportunity to attract new funding streams, especially at a time when donations are down and government funding is questionable. The possibility of long term contracts of five or more years is also an attraction to innovate and measure outcome. The financial risk to NGOs may appear minimal as it is the investor’s money that is at risk if outcomes are not achieved this is a potential risk for government.

Large Scale Institutional Investors

Research by AHURI indicates that unlike small-scale individual investors, large-scale institutional investors judge potential investments by their return value (such as rental yield) rather than capital gains. Currently, large-scale institutional investors are less able to realise a profitable return from residential property investment, compared with individual investors, due to tax implications. AHURI outline the following key issues behind this as:

- Superannuation funds cannot directly borrow to buy property and, therefore, cannot claim mortgage costs (which are available to individual investors who can use negative gearing rules to reduce these costs);
- Superannuation funds only receive a 33.3% discount on capital gains as compared to the 50% discount extended to individual investors;
- Companies can borrow to buy property; however, the 30% company tax rate means that the tax benefits are not as attractive compared to those obtained by individual investors in the higher tax brackets (who pay 45% tax on income over $180,000);
- Companies' business losses are quarantined and can only be deducted in future years against income from the same business or other business that belonging to the same company, whereas individual investors can deduct housing costs from income earned from other sources; and
Companies, superannuation funds and individual investors that invest in many residential properties are liable for land tax.

AHURI research indicates that the risk-adjusted rate of return on affordable housing is considered too low by institutional investors. To encourage institutional investors into affordable housing, either rates of return would need to increase or the investment risks would need to be made much lower. It must be noted that increasing the rate of return in housing for those on low incomes is unlikely. Additional barriers noted by Milligan, Wiesel, Yates, & Hamilton (2014) for financing a supply of new affordable rental housing include:

- Designing the right investment products;
- Achieving sufficient scale;
- Creating a mix of market value and affordable properties within funds;
- Facilitating a range of different investors; and
- Fostering specialist intermediaries to create diverse portfolios.

From an institutional investment perspective, AHURI outlined the following additional risks in investing in social housing (AHURI, 2017):

- stamp duty and land taxes, which undermine already low returns in residential real estate;
- risks associated with a new asset class e.g. lack of market information on the returns likely to be available from affordable rental housing or on the performance of organisations able to manage such assets;
- counter-party risks e.g. associated with the lack of comfort that Community Housing Providers can provide to a lender because they either are limited by guarantee or have little contributed equity or retained earnings, but also risks associated with development and construction of new dwellings;
- issues of security enforcement because of perception of a negative community response to any attempt to take over affordable housing assets in cases of default;
- scale constraints arising from the reluctance of relevant players to participate in schemes involving investment packages below a threshold size of possibly around $100 million, and the preference for a number of institutional investors to be involved in any such venture to share risk; and
- administrative complexity arising from the possibility of having to deal with different tax and planning regimes across jurisdictions.

As outlined State Government land use planning and taxation settings can enable or act as a barrier to social impact investment in social housing stock. These issues are further outlined in Appendix 1.

**What do you see as the role of the Australian Government in developing the social impact investing market?**

As outlined by National Shelter in its response to the Council on Federal Financial Relations Affordable Housing Working Group, there is a clear role for the Commonwealth, in partnership with the States, to develop a strategic policy and legislative approach to develop, implement and govern new financing models for affordable housing in Australia (National Shelter, 2016). This is because the Commonwealth Government:

- Holds responsibility for taxation and social security policy and legislation which are crucial to making large-scale financing models work;
Has the capacity to implement national legislation, policies and guidelines which improves consistency for Community Housing Providers (CHP) and private sector entities trying to work across jurisdictions, especially when there needs to be an economy of scale;

Holds the policy levers, primarily through National Affordable Housing Agreement and Commonwealth Rental Assistance, to encourage States to trial new ways to increase affordable housing supply;

Has capacity to build an economy of scale and financial pipeline to address the scale of the issue; and

Often accrues the benefits of cost savings associated with increasing affordable housing options, for example reduction in welfare expenditure and greater participation in the workforce.

AHURI explores how governments can encourage institutional investment in the supply of affordable rental housing (Lawson, Berry, Hamilton, & Pawson, 2014). The paper suggests that a policy framework will be required to develop a new asset class that meets investors’ requirements for yield, scale and liquidity.

**Bond aggregation model**

The Australian Government Affordable Housing Working Group (AHWG) is currently looking at innovative, transformative and implementable financing models for affordable housing, recommended in November 2016 that Government investigates a Bond Aggregation Model.

The Housing Bond Aggregation model is an option to significantly increase capital flowing from the private sector to housing providers via a financial intermediary. As a mechanism to aggregate debt, it enables funding from the wholesale market and institutional investors, provides an economy of scale in negotiating and reducing financing costs and facilities a more effective utilisation of debt within the context of competing priorities for multiple users. The model also supports longer term financing which is more consistent with typical project life cycles and the actual cycle time for the pay down of debt.

Community housing is affordable housing for people on low to moderate incomes, owned by or under the legal control of, a community housing organisation. These organisations are generally, not-for-profit, community based agencies. AHURI research posited that when governments provide bond guarantees or to maintain bond aggregation entities they can help Community Housing Providers (CHP) borrow money from the financial markets at very competitive rates (Lawson, Berry, Hamilton, & Pawson, 2014). The benefits of this approach include:

- Straightforward application and transparency for investors, government and public at large;
- Capacity to be harmonised easily with the Australian National Regulatory System and state-based regulatory systems for NFPs;
- Capacity to fit well with existing government subsidy policies;
- Minimal impact on government budgets; and
- Negligible probability of the government guarantee being called.
To encourage large-scale institutional investment in community housing stock, AHURI outlines the following for consideration:

- Certainty from government, particularly the need for bi-partisan or multi-party support;
- Scale of investment including government backed opportunities to enable institutions to invest amounts in the vicinity of $500m per annum using a portfolio approach;
- Reduction of financial risk for institutions; this may require the Commonwealth to underwrite a component of debt, if not all;
- Ability for liquidity of investment;
- Government equity and government credit enhancement to assist with consistent and predictable yields as a yield gap does exist;
- Development of an investment scheme that does not require investors to fund property development; and
- Recognition that the requirements of institutional investors differ from banks. For example, banks prefer strata development but institutions prefer lower risk management arrangements such as multi-unit residential that are all rental.

**Affordable Housing Growth Fund**

An option for the Commonwealth to consider is the establishment of a long-term Affordable Housing Growth fund. This funding should be explicitly directed towards direct capital funding and investment in incentives for institutional investors to deliver net new additional supply at scale. Program guidelines should enable housing providers to draw on a range of affordable housing programs to deliver maximum affordability and provide mixed tenure developments to meet current and future demographic needs.

**Australian Affordable Housing Finance Commission**

AHURI recommends the establishment of an Australian Affordable Housing Finance Commission (AAHFC), an expert non-profit financial intermediary, to access and aggregate the borrowing demands of registers community housing providers and issue bonds with a carefully structured and targeted guarantee (Lawson, Berry, Hamilton, & Pawson, 2014).

The AHFC is designed to aggregate and source large amounts of capital from the bond market to provide lower interest, long-term loans to not-for-profit community housing providers (CHPs) developing housing for lower income households. The intention is that money would be raised efficiently with reduced financing costs rather than in expensive one-off transactions such as when borrowing from a bank. The benefits of this approach outlined by AHURI include:

- Straightforward application and transparency for investors, government and public at large;
- Capacity to be harmonised easily with the Australian National Regulatory System and state-based regulatory systems for NFPs;
- Capacity to fit well with existing government subsidy policies;
- Minimal impact on government budgets; and
- Negligible probability of the government guarantee being called.

Lawson, Berry, Hamilton & Pawson (2014) explains the role of an AHFC would be to:

- Assess the risks and benefits of applications from individual CHPs for borrowing money
- Combine the approved borrowing applications from many different CHPs
• Raise large volumes of money ($50–200 million and upwards) from long-term low-yield bonds issued by specific banks to institutional investors;
• Distribute the money to the applying CHPs;
• Monitor that the CHPs were using the money properly and effectively;
• Collect the repayments (of both interest and principal) from the CHPs; and
• Repay the banks who would return money to investors.

AHFC bonds would come with a carefully structured guarantee such that interest and loan payments to investors would be paid by the Australian Government should a CHP borrower be unable to make a repayment. This lowers the perceived riskiness of the bond, resulting in a lower interest rate paid to the investor. The Swiss Bond Issuing Cooperative guarantee scheme that the AHFC is based on has recorded no repayment defaults during its many years of operation.

Facilitate Growth of the Community Housing Sector

The success of leveraging large-scale private sector investment into affordable housing would benefit from a Community Housing sector that has scale and maturity. Continuing asset ownership and management transfer of public housing assets to the CHP sector across Australia should be a key component of developing the sector. This should include the design of a streamlined and transparent regulatory framework in partnership with the CHP sector and the establishment of performance benchmarking monitoring and reporting.

In the United Kingdom, CHPs were scaled up, via large-scale stock transfers, at a similar time to the introduction of the Housing Finance Corporation. This meant there was a synergy between the raising of finance and ability of the CHPs to operate at a larger scale. In Australia there needs to be a policy focus on developing the CHP sector to be at a sufficient scale and maturity to access borrowings.

Inclusion of a government guarantee significantly de-risks the investment for the private sector, making the investment much more favourable therefore capital is cheaper. Governments typically shy away from guarantees, however in the Australian context it may be one key variable to make the model work at scale with a developing CH sector. Both the UK and Canada (Vancouver) have introduced government guarantees without negative repercussions. This needs to be married with a strong financial and CH regulatory system for greatest impact.

Commonwealth policy settings to encourage affordable housing

Commonwealth taxation policies can be effective tools to promote the supply of suitable housing and encourage investment in affordable housing. The opportunity for the Commonwealth to refocus taxation policies away from individual households, who are seeking short term capital gains, to overall institutional investment, will be of broader community benefit.
**Negative Gearing and Capital Gains Tax**

To provide the right framework to support institutional investment, the Commonwealth should consider the following tax reform:

- Reviewing and reforming deductibility regimes (negative gearing), giving consideration to restricting purchase price to housing in an affordable pricing range and/or on new supply rather than existing housing;
- Removing or adjusting the Capital Gains Tax Exemptions from investors; and
- Specific incentives or subsidies to investors letting to lower income households for longer periods of time or at affordability thresholds.

There is merit in better targeting tax measures on housing to new supply of affordable housing, rather than allowing these to be focused on existing dwellings. Channelling investment into new construction will lead to better affordability outcomes.

**Improved Incentive-Based Tax Credit Scheme**

To provide an environment that facilitates private sector investment at scale there needs to be further investigation by the Commonwealth into having tax policy that supports and leverages the current opportunities built through the National Rental Affordability Scheme (NRAS). There is evidence from other countries that using an ongoing tax incentive has the capacity to attract significant investment from institutional investors. There is merit in reviewing how a tax incentive could catalyse large-scale investment.

Whilst NRAS has added to the supply of affordable housing properties, it has been undertaken in relatively small tranches which are location specific with duplicated and inefficient approval processes and administration (National Shelter, 2016). Shifting to an incentive-based tax credit scheme, as proposed by the National Affordable Housing Summit, such as a National Rental Affordability Incentive, has the capacity to leverage large-scale private sector investment to build a supply of affordable rental housing. A National Rental Affordability Incentive differs from NRAS in that:

- It would specifically target large national providers in significant tranches.
- Expert ‘third party brokers’ would be appointed to work directly with institutional investors to broker scale investments into consortiums of providers nationally.
- The incentive was not meant to be stand-alone but was envisaged to be supplemented with other capital grants, additional rent subsidies and planning concession by States.
- It was expected that the scheme was to be integrated into the NAHA in order to encourage effective interaction with other forms of assistance.
- Setting of targets for overall growth in affordable housing supply, with mixed use developments encompassing very low, low and moderate income earners (ie, Band A, B and C) to ensure financial and social sustainability. In many cases these mixed-use developments can also encompass other housing ownership options, for example shared equity, full home ownership, rental options and commercial residencies to assist with financial viability.
**National Affordable Housing Agreement**

The National Affordable Housing Agreement (NAHA) has the capacity to fund and oversee affordable housing development and drive important reforms at State levels. This is crucial to develop a stable environment for private sector investment and encourage new forms of investment and development.

The NAHA is subject to review under the reform of the federation process but is an ongoing Specific Purpose Payment (SPP) with the Commonwealth providing $6.2 billion to the States over the five years from 2009. The NAHA funding includes funding for homelessness services (estimated at approximately $250 million) with the balance spent on housing. $1.3 billion is allocated in 2016-17.

The issues of transparency between the Commonwealth and the states have been well documented. Four problems have been identified with the current structure and level: Adequacy; Indexation Coverage; and Outcomes and measurement.

The NAHA should be reset to be a genuine and broader affordable housing agreement. Funding for Specialist Homelessness Service’s within the NAHA should either be made discreet or removed from the NAHA reset as a National Partnership Agreement on Specialist Homelessness Service provision.

**Key principles for a reinvigorated NAHA include:**

- Adequate and indexed funding for provision of affordable housing;
- Clear, transparent and agreed outcome measures;
- Targets to build the capacity of the Community Housing Sector through stock / management transfer
- Specific targets for net new additional supply of affordable housing across e.g. Band A households paying no more than 25% of Income, Band B households paying up to 80% of market rent and Band C households supported into home ownership through shared equity.
- Improved rate of CRA provided by the Commonwealth Government to minimise housing stress for low income earners and assist in improved cash-flows;
- Clarity about future responsibilities for CRA between Commonwealth and State/Territory Governments, including resolution of the current issue where CHP tenants are eligible, and public housing tenants ineligible, for CRA;
- Commonwealth and State commitment to a revised incentive-based tax credit scheme;
- NAHA to encourage planning, tax and other reforms from the states and territories; and
- The development of Commonwealth (or Commonwealth backed) incentives to attract large scale private finance into residential property and specifically affordable housing.

**What Australian Government policy or service delivery areas hold the most potential for social impact investing? Are there any specific opportunities you are aware of?**

The provision of social housing and specialist homelessness services provides an opportunity for the Commonwealth, in partnership with the State government and the non-government community services sector to further engage in social impact investing. Appendix 3 is an infographic which outlines the current housing and homelessness situation in Western Australia.
Social Housing and Homelessness Services

AHURI research indicates that institutional investment is the most desirable source of finance to achieve long-term growth in supply of rental housing for a number of reasons (AHURI, 2017):

- Demand is so large that no-one else (including government) has access to sufficient funds to provide the finance needed;
- Institutional investment offers efficiency gains from scale, and proportionally lower transaction costs for a small number of large investments rather than a large number of smaller contributions;
- Institutions are likely to view longer-term lettings more favourably and to provide a more stable and predictable source of funds than individual investors; and
- Institutional investment will be needed if a new property asset class focused on income returns rather than speculative gains is to evolve.

Policy framework to transfer State Government social housing to community housing providers

In Western Australia, 80 per cent of social and public housing is owned and managed by the State Government Housing Authority; with 20 per cent owned or managed by approximately 200 CHPs (Community Housing Coalition of WA, 2015) Western Australia does not have a community housing growth strategy to unlock social housing growth potential.

There is an opportunity for government to utilise the community housing sector to drive new supply and inject new capital to increase the State’s social housing stock. Research has indicated that non-government housing providers are locally based organizations that can respond quickly to the needs of tenants and be more flexible about how they manage their resources (Community Housing Coalition of WA, 2015; Department of Family and Children’s Services NSW, 2016).

The growth of the community housing sector will facilitate greater economies of scale enabling providers to attract private finance, and deliver efficiencies in stock provision, management and tenant support. Also, evidence indicates there are better outcomes for tenants as community housing tenants are generally more satisfied in relation to their housing arrangements than public housing tenant (AIHW, 2012). This was reinforced by the Productivity Commission which highlights that community housing providers often outperform public providers on some indicators including tenant satisfaction and property maintenance (Productivity Commission, 2016).

Stock transfer of social housing to community housing providers, whether titled or management only, with leveraging commitments, have been identified as a key State Government lever to stimulate investment in social and affordable housing (Productivity Commission, 2016). AHURI research indicates that asset or title transfers will maximise the scope for community housing innovation and entrepreneurialism (Pawson, Milligan, Wiesel, & Hulse, 2015). Some CHPs are public benevolent institutions or Charities with Deductible Gift Recipient status, and therefore eligible for tax concessions and exemptions. This status maximises investment by this sector.

There is an opportunity to establish a strategy for ongoing collaboration between the State Government and the non-government housing sector to enable the sector to plan, invest, partner and innovate. This strategy needs to consider the benefits of large-scale stock transfers with clearly stated, measurable objectives, to ensure the additional social housing required to meet demand is developed and available to those in greatest need.
Specialist services for people at risk or experiencing homelessness

Research indicates that early intervention, prevention and an integrated service approach is critical to break the cycle of homelessness (WA Department of Child Protection and Family Support, 2016).

Recent AHURI research indicates that housing, coupled with appropriate wrap around services, significantly reduces the cost to government of health, community, and justice services (Wood, et al., 2016). The provision of stable public housing for homeless people could save the Western Australian health system more than $16 million a year. Research on the costs incurred by government in health and justice services show that these are substantially greater than the costs of providing programs for those at risk of or experiencing homelessness.

Given the demonstrated return on investment to government through investment in early prevention and appropriate wrap around services to support people in appropriate housing, there is the opportunity to utilise social impact investment instruments to deliver better individualised and community outcomes and realise savings for government.

Are there opportunities for the Australian Government to collaborate with State and Territory Governments to develop or support joint social impact investments?

The Western Australia Government utilises a range of incentives to support affordable home ownership including Keystart low deposit home loans and shared equity loans, and rental brokerage schemes. The State own and manage social housing stock and are looking to diversify stock to respond to the specific needs of different demographic groups.

As investment in housing and homelessness is a joint State / Commonwealth responsibility, there are opportunities for collaboration between the Commonwealth, States and territories in developing an aligned approach to social impact investments. As stated in the Discussion Paper, joint investments may be necessary for the cost savings from better outcomes to be fully realised. An investment which only measured the outcomes for one level of government may not be justified on a ‘value for money’ basis. Such investments would also provide only a limited picture of the impact of the intervention. Particular opportunities include:

- The development of a new National Affordable Housing Agreement; Co-investment
- National Partnership Agreement on Homelessness: Co-investment;
- Affordable home ownership and rental incentives;
- Taxation and land use planning reform;
- Long term guarantee of funding to build sector capacity, stock capital;
- Building the capacity of the non-government and Community Housing sector;
- Agreed Performance measurement framework;
- Data sharing;
- Streamlined reporting requirements;
- IT systems that interface Utilise IT; and
- Foster collaborations building on expertise.
Conclusion

Shelter WA welcomes the opportunity to provide a submission to the Australian Government on its Social Impact Investing Discussion Paper. Shelter WA believes that there is a significant opportunity to increase the supply of social and affordable housing through social impact investing, specifically through large scale institutional investment. There is also a role for social impact investing in homelessness services when implemented and managed effectively. Shelter WA believes the Australian Government must take a lead role in this agenda through creating a supportive and enabling environment for social impact investing.

References


Community Housing Coalition of WA. (2015). Doing more with what we have. Perth: CHCWA.


Department of Family and Children’s Services NSW. (2016). Social Housing Future Directions. Sydney: DFCS.


Appendix 1 - Western Australian land tax

State land tax policies could be an effective tool to promote suitable housing supply and encourage affordable housing investment. AHURI Research indicates that stamp duty and land taxes, which undermine already low returns in residential real estate, inhibit institutional investment in social housing.

In Western Australia land tax arrangements distort the use of land and buildings in ways that impair the efficient operation of housing markets (Wood, Ong, & Winter, 2012). Land taxes are levied on the unimproved capital value of investment residential land, but exempt land used for owner occupied housing. These arrangements favour home owners relative to landlords. Also, land tax may negatively impact on renters as they bear the burden of the existing land tax through higher rents. As tax arrangements are progressive and based on aggregated land holdings, this may be a disincentive to the holding of optimal portfolios of land and weaken the revenue raising capacity of the tax adding to the economic cost per dollar of land tax revenue.

The Henry Tax Review believed the case for land tax reform was strong enough to warrant the following key recommendations;

The abolition of stamp duties on all property transactions; the levying of land tax on all land; and levying land tax using an increasing marginal rate schedule applied to unimproved capital values, with the lowest rate being zero and thresholds determined according to per m2 value in order to tax more valuable land at higher rates; levying land tax on a per land holding basis, not on an entity’s total holding, to promote investment in land development. (Australian Government, 2009)

The abolition of stamp duty, replaced with a broad-based land tax, will lower cost of entry into the property market will be offset over time by the annual land tax payments that the owner will make.

State and Local Government land use planning

The WA State governments have the opportunity need to incentivise and encourage affordable housing development at the local level, streamlining planning and development approvals, setting targets for affordable housing in major developments and provision of capital and land.

AHURI research has identified that administrative complexity arising from the possibility of having to deal with different tax and planning regimes across jurisdictions impacts on institutional investment in social housing.
Appendix 2 – Housing and Homelessness Statistics for WA

**Homelessness**
- 9600 people experience homelessness every night in WA (Census, 2011)
- 7000 people live in insecure housing (Census, 2011)
- 1/3 of requests for homeless support were not met due to lack of accommodation (AIHW, 2016)
- 9000 MEN 14000 WOMEN sought assistance from homelessness services in WA (AIHW, 2016)

**Public Housing**
- 18530 applications on the public housing wait list including 2283 with a priority need (Housing Authority Annual Report 2015-16)
- The average wait for accommodation is 153 WEEKS (Housing Authority Annual Report 2015-16)

**Housing Affordability**
- 1 in 5 renters aged 55+ are in severe housing stress (Keeping a roof over our heads BICEC Housing affordability report, June 2016)
- Only 3% of 52277 private rentals in Perth are affordable to those earning a low income. (Housing Affordability (Rental): A Study for the Perth Metropolitan Area 2016, Housing Authority in Partnership with REWA and Shelter WA, November 2016)
- Only 1% of private rentals in Perth are affordable to those on government income support (Anglicare Rental Affordability, Perth, April 2016)

Over 2015-16, the public housing stock decreased by 241 DWELLINGS (Housing Authority Annual Report 2015-16)