

National Housing and
Homelessness Plan Team,
Department of Social Services
Australian Government
GPO Box 9820
Canberra, ACT 2601

UTS Public

20th October 2023

RE: NATIONAL HOUSING AND HOMELESSNESS PLAN

We commend the Australian Government's initiative to develop a National Housing and Homelessness Plan and thank you for inviting us to engage in the process.

Affordable housing is fundamental to an inclusive, fair society and a resilient economy. With more and more people becoming locked out of the Australian housing market, affordable housing needs to be a critical focus for government right now.

This submission focuses on the value and importance of enabling community-led housing models as a part of the plan. Simply increasing the supply of market housing does not correlate with increased affordability. However, enabling community-led housing models leads to a diversity of housing options that can be affordable in perpetuity.

The Institute for Sustainable Futures at UTS has conducted research on community-led housing for state and local governments as well as charitable foundations. This research has highlighted the growing relevance of these models to Australia and growing public interest in them, particularly in light of the housing affordability crisis, changing household demographics and an ageing population. As well as enabling more affordable and diverse housing choices, community-led housing can help to alleviate social isolation, build connected and resilient communities and contribute to more compact, sustainable cities.

We have collaborated with the Business Council for Cooperatives and Mutuals (BCCM) and a number of other allied organisations on this submission, leading to the mutually developed recommendations attached in the following pages.

Yours sincerely,

[Redacted Signature]

[Redacted Name]

[Redacted Title]

Institute for Sustainable Futures,
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OVERVIEW

The right to adequate housing is recognised in the UN Declaration on Human rights. In Australia, policy and tax settings such as negative gearing and the capital gains tax discount have shifted housing from a means of secure shelter to a vehicle for wealth creation over the past few decades. This has increased housing costs, displaced investment from more economically productive opportunities and resulted in a redistribution of wealth away from younger and poorer households towards older and wealthier householdsⁱ. Ensuring all people can access secure, affordable housing is a critical for an equitable, economically productive and resilient Australia.

Increasing the supply of market housing cannot be the only solution to Australia's housing crisis.

Though it has been a primary focus to date in efforts to address Australia's housing crisis, there is evidence that increasing the supply of market housing does not correlate with increased housing affordabilityⁱⁱ. Increasing the supply of new housing to the market tends to push market average prices upwards. Furthermore, developers routinely delay housing production to capitalise on market cyclesⁱⁱⁱ.

Affordable housing options are extremely limited in Australia, there is an urgent need (and opportunity) to improve the diversity of housing types and tenures.

Australia is missing housing diversity. At one end of the spectrum is an inadequate amount of social housing that's highly subsidised with restrictive eligibility criteria, at the other end market rental and market ownership, with very little in between. A more diverse continuum would allow people to transition through multiple housing types over their lifetime and ensure any housing cost outlay is affordable in relation to the household budget. The current housing crisis is proof that transitioning through the housing system has become impossible for many. Social housing participants cannot afford to move into the private rental market, households in the private rental market cannot afford to move into full homeownership and, due to stamp duty, homeowners cannot afford to downsize. This issue is compounded by a lack of new supply but is also a function of price growth exceeding incomes, a lack of innovative financing structures for new forms of 'ownership' and the treatment of housing as an investment vehicle rather than as social infrastructure.

Community-led housing is an important part of the solution.

Community-led housing is housing that's developed or managed by residents, and includes co-operative rental housing, limited equity housing co-operatives, market-rate housing co-operatives, community land trusts and resident-led building groups. These community-led housing models diversify the housing tenures available and have a longer-term impact on stabilising affordability in the market and increasing affordable housing supply in perpetuity. Many create a hybrid tenure between renting and owning.

A significant body of research locally and internationally has established the benefits of community-led models over other corporatised or government managed housing models. This can include greater affordability benefits for residents, more tailored homes to respond to complex needs, the establishment of higher resilience and social capital

outcomes which accrue to the building and immediate neighbourhood, and consistently high sustainability outcomes.

Improved access to finance for community-led housing is critical.

A significant amount of public spending on housing in Australia takes the form of tax concessions and subsidies for home buyers and owner-investors to purchase market housing. This public spending would be far more efficient at addressing the housing needs of very low to moderate income households if directed to deliver more submarket nonspeculative rental housing. For new community-led housing models to scale up and make structural impacts to our housing system, leadership from government in financing is needed to support demonstration projects and educate private capital.

The current regulatory framework for housing finance does not make it easy for community members to access finance for community-led housing projects. What this ultimately means is that, unlike other jurisdictions, Australians have less choice in terms of their housing. There needs to be a framework that facilitates Australians banks, including mutuals, to lend to community-led housing.

To foster the development of community-led housing, early-stage investment capital from government is required to bridge the innovation risk curve. This capital will help new models establish in the market, prove their viability (or not), and for those that achieve traction, reach the level of maturity required to attract follow-on private market capital. Government has a critical role to play in helping seed these new housing models, absorbing early-stage innovation risk, to create self-sustaining markets that over the long-term can be scaled efficiently by private capital.

Community-led housing supports greater climate resilience.

People on low incomes are more likely to live in substandard housing that is not built to withstand or moderate the effects of climate change (e.g. heatwaves, smoke, mould), highlighting the importance of access to affordable, climate-resilient housing. Climate resilience relies significantly on high standards of environmental sustainability (including durability, thermal comfort) and strong neighbourhood and community connections. These are all central features of community-led housing.

ⁱ Maclennan, D., Long, J., and Leishman, C. (2021) Housing wealth and the economy: All that glitters is not gold; Sydney: UNSW City Futures Research Centre <https://cityfutures.be.unsw.edu.au/>

ⁱⁱ Ong, R. and Wood, G. 2018. Why new supply is not expanding housing opportunities for the homeless: some likely explanations. Parity, Vol.31, No. 4, June 2018: 11-13

ⁱⁱⁱ Gurrán, N. and Phibbs, P. 2014. Going bananas over affordable housing. The Conversation <https://theconversation.com/going-bananas-over-affordable-housing-30029>

RECOMMENDATIONS

Social housing

1. Aim for co-operative housing as at least ten percent of social housing stock by 2033, achieving sustainability in each jurisdiction, by identifying and removing barriers.
2. Re-instate a stream of funding dedicated to rental housing co-operatives, as was the case in the 1990s when most of the existing housing co-operatives were formed.
3. Ensure that at least ten percent of funds such as the Social Housing Accelerator and the Housing Australia Future Fund and the expanded National Housing Infrastructure Facility go to increasing the co-operative housing sector. Housing Accord

Affordable housing

4. Work with the co-operative movement to invest in a revolving impact equity fund for start-up of Limited Equity Housing Co-operatives.
5. Provide a loan guarantee for Limited Equity Housing Co-operatives so that projects can access favourably priced debt funding through mutual finance or the private market.
6. Grant an exemption on input GST for Limited Equity Housing Co-operatives.
7. Work with the co-operative movement to fund education and advisory resources to assist in the development of Limited Equity Housing Co-operatives.

New markets for housing

8. The Australian Prudential Regulation Authority should develop a framework that facilitate Australians banks (including mutuals) to lend to communal housing.
9. Specific examples of where government should research and lead the development of new financial models and scalability of existing models:
 - a. Long-term patient loans to Limited Equity Housing Co-operatives
 - b. A mortgage product for homeowners to purchase a share in a Limited Equity Housing Co-operative
 - c. Financing products targeted to support medium density infill housing (circa 20-40 dwellings)
 - d. Shared-Equity scheme eligibility for resident-led building group communities
10. Government support for shared equity and co-investment in housing, such as the Help to Buy scheme, should be inclusive of co-operative ownership and Building Groups.
11. Government measures such as guarantees for first home buyers or equity contributions for first home buyers must be inclusive of housing co-operatives as a form of ownership.

Planning and land acquisition

12. Enable community-led housing and reduce speculation by creating greater certainty in the planning system through fixing density and building envelope controls.
13. Introduce inclusionary zoning to support community-led housing models to create a more even playing field for innovative models.
14. Create a standard definition of community-led housing to enable these models to be incentivised through the planning scheme.
15. Preference community-led housing through the Expression of Interest process when governments are providing land for sale or long-term ground lease.