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Executive Summary

Shelter WA welcomes the opportunity to provide this 2015/16 pre-budget submission to the Department of Treasury. Our submission focuses on ways the WA Government can address the affordable housing shortage and homelessness issues in Western Australia.

Various sources were used to inform this submission, including a sector consultation, targeted stakeholder input, a strategic level homelessness forum, research reviews and information collected through Shelter WA's ongoing peak body functions. A joint consultation forum was hosted by Shelter WA, the WA Council of Social Services (WACOSS) and the Community Housing Coalition of WA (CHCWA) on 7 August 2014. The consultation forum was attended by 25 housing and homelessness service providers, community services, advocates and people who have experienced homelessness. Shelter WA also held a strategic-level homelessness forum – *The Future of Homelessness in WA* – opened by Hon. Helen Morton, MLC, the Minister for Mental Health, Disability Services and Child Protection, and attended by over 95 key stakeholders, including community leaders from the sector, local, state and federal governments. In addition, Shelter WA sought input from its members and subscribers and drew upon current research to develop recommendations for the 2015/2016 State budget. Finally, Shelter WA also consulted closely with the Department of Housing in relation to costing estimates included in this submission.

A summary of Shelter WA's recommendations include:

- Specify a return of a minimum of 15% social and affordable housing from the disposal of all state realty assets – as stated in the objectives of the *State Affordable Housing Strategy 2010-2020*;
- Commit to a social housing growth plan that includes clear capital targets for community and public housing, with timelines for implementation;
- Provide working capital to the Housing Authority in order to facilitate the development of public housing properties to grow social housing in WA;
- Stimulate private investment in affordable rental housing;
- Support ongoing affordable home ownership through the continuation of Keystart;
- Abolish stamp duty and replace it with a broad based land tax;
- Release social benefit bonds to support innovative homelessness services across the state; and
- Provide funding for innovative services for people experiencing homelessness and promote early intervention for those at risk of homelessness.

Shelter WA is the peak body for social and affordable housing in Western Australia. Shelter WA is also committed to the elimination of homelessness across the state, through provision of social and affordable housing and support services to prevent homelessness and/or assist people to transition out of homelessness.

Shelter WA was founded in 1979 as an independent community based peak body committed to accessible, affordable and secure housing for Western Australians. It provides a link between government and the community through consultation, research, systemic advocacy, policy advice and community engagement. Our role is to provide an independent voice on housing rights and options in the state along the housing continuum, based on stakeholder engagement, consultation, and research of housing market and homelessness trends. Our work focuses on promoting the development of appropriate affordable housing options for low to moderate income earners, those who are otherwise disadvantaged in the housing market and people experiencing homelessness.

Shelter WA promotes a diverse range of affordable housing options including social housing, affordable housing within the private rental market and affordable home ownership. Shelter WA also provides community education, disseminates information and undertakes housing and homelessness policy development. Our development of policy recommendations is based on sound research and consultation with housing consumers and organisations working on housing and related issues.

Introduction

Western Australia continues to experience significant growth. A natural increase in population, combined with a high rate of overseas and interstate migration has meant more people are competing for fewer houses in this state. The population of Western Australia continues to increase, growing at a rate of 2.9% for the year to December 2013. This is an increase of over 71,300 persons. Using the current ABS average household size of 2.5 persons, these 71,300 persons would require 28,500 new dwellings (ABS, 2014). Over the same period only 16,100 houses have been built, creating a shortfall of 12,400 dwellings on top of the shortage which already existed in the state. In WA, the current issues with supply and demand for housing are effectively pushing low to moderate income earners out of the market.

The demand for housing continues to outstrip supply, and the cost of housing has risen at a faster rate than that of low to moderate incomes. A large and growing number of households are being excluded from the private rental market in the Perth metropolitan region. In its Rental Affordability Snapshot in April 2014, Anglicare assessed the affordability of the WA rental market for low to moderate income earners. On the day of the survey, there were 6,975 properties for rent in Perth, but less than 1% were affordable for people on a benefit or pension and only 3%, or 209 rental properties across the state, were affordable for families on a minimum wage (Anglicare WA, 2014).

Home purchase is also challenging for low and moderate income families. According to the Housing Industry Forecasting Group, in the December quarter of 2013, a Perth household on the estimated median household income of \$84,800 allocating 30% of their gross income to loan repayments with a 10% deposit, should be able to afford a property priced at \$395,000 (HIFG, 2014). However, households earning \$84,800, aiming to pay \$395,000, had access to only 20% of the housing market in Perth. This limited pool of available dwellings also may not meet the needs of particular households in terms of number of bedrooms and location.

As a result of the shortage of available affordable properties, many households are borrowing significant amounts to purchase a house appropriate to their needs. This is demonstrated by the current record average loan amount of \$322,900 (ABS, 2014). Some households are borrowing up to 95% of the purchase price, which puts them at severe risk of housing stress due to potential increases in variable interest rates over the period of their loan.

Rising housing costs in Western Australia have contributed to an increase in homelessness. According to the ABS there were 9,595 people experiencing homelessness and 7,070 at risk of becoming homeless at the time of the 2011 Census, up from 8,277 homeless and 5,612 at risk in 2006 (ABS, 2012). A further consequence of the affordable housing shortage in WA is the increasing challenges for homelessness service providers to locate appropriate long-term accommodation for clients to transition out of crisis and transitional housing services.

Even with the housing market slowing down in WA in recent times, there has been little change in the financial circumstances of low income households. Due to increases in the overall cost of living in this state, people on a low to moderate income continue to struggle to meet housing costs. The recent WACOSS Cost of Living report

Cost of Living increases:

Electricity: 4.5%- \$62.88

Water: 6%- \$84.41

Transport: 4% - \$91.00

Motor vehicle registration: 3% - \$9.08

Total: 6.6% - \$324.00

suggests marginal improvements in income for typical low income households have kept pace with recent increases in costs, but have done little to make up for significant cost of living increases over the last few years (WACOSS, 2014). Housing costs remain the biggest single driver of financial hardship for low income households.

In its State budget breakdown for 2014-15, WACOSS identified cost of living increases which, while insignificant for higher income households, are difficult for low income households to afford (WACOSS, 2014). Increases to water, electricity, public transport, and motor vehicle licensing costs have all been well above the rate of inflation. While a 4.5% 'Cost of Living Allowance' increase has been noted to partly make up for these increased costs for seniors' households, other low income households have not fared well.

Recommendations

Shelter WA recognises this is a challenging time for State Government with increasing pressure to deliver economic efficiencies in all areas. For this reason, Shelter WA's pre-budget recommendations are concentrated on cost effective ways to achieve positive housing and homelessness outcomes without a significant level of new investment. Our recommendations for the 2015/2016 budget focus on how the State Government can optimise its use of public resources to secure positive current and future outcomes for WA.

Nonetheless, some funding will be required to address the severe shortage of affordable housing in WA and the growing demand for homelessness services. Government investment will continue to be needed, as annual social housing returns are, at best, around 3% of capital investment (Deloitte Corporate Finance P/L, 2011). Research into alternative financing, including government capital investment funding models, housing bonds, public private partnerships, housing allowances, and community land trusts all concluded some form of government support is required (CHFV, VCOSS, CHP, VPTA, TUV, DV Vic and Justice Connect Homeless Law, 2014). In other words, there is no 'silver bullet' and government investment will continue to be needed in the provision of social housing and homelessness services.

In addition to cost-cutting measures at the State level, Shelter WA is aware that the Reform of the Federation Review may lead to significant changes in the way housing and homelessness are funded in WA in the future. Through a restructuring of roles, state governments may need to take on a larger role in funding social housing and homelessness services. Considerations for the well being of social housing tenants, people experiencing homelessness and those at risk of homelessness must be paramount when assessing any changes to the Federal-State funding arrangements on housing and homelessness.

Public asset disposal

Recommendation 1: Ensure any disposal of state assets, particularly land, is done in accordance with requirements in the *State Affordable Housing Strategy 2010-2020* to meet affordable housing targets.

There have been recommendations at a Federal level, through the Commission of Audit, and at the State level, from the Economic Regulation Authority, to restrict future government funding for social services and for the divestment of some public assets. Shelter WA is concerned about the long term consequences of such decisions. Any sale of public assets, in particular landed property, should be considered carefully with regard to the best outcomes for the State Government and the delivery of long-term social outcomes.

Any sale of landed property should only be undertaken if there is a net social benefit to the community, and that the provision of social and affordable housing has been taken into consideration in line with the goals of the *State Affordable Housing Strategy*.

The WA State Government is under growing pressure to provide an increasing number of services within a limited budget and has begun to identify state owned property which could be sold to the private sector. Shelter WA is concerned that in this process the State Government may be treating public lands as financial assets, rather than assets for the social good. When this has happened in other jurisdictions, many sites have been lost from public ownership without a true assessment of their ecological, cultural, social, economic or other potential value to the public (Gilbert, 2006). Often the public is uninformed or unaware this process is occurring, and is therefore uninvolved in both the disposal of assets or development of future options for sites. When the disposal of land occurs in WA, the sale must be considered in the context of benefiting the social good as well as State Government's balance sheet.

The sale of any state assets in WA should be optimised to provide strategic outcomes for the State Government and be considered in the context of the *State Affordable Housing Strategy*, which states that all government land and housing developments must include a minimum of 15% affordable housing targeted at low-to-moderate income households. This commitment by the State should be honoured in the impending sale of Jewell House, located on Goderich Street in the City of Perth. Jewell House has been managed by YMCA and until recently provided 104 beds of crisis, transitional and temporary accommodation. The loss of this accommodation will be devastating for those with no other housing options. The redevelopment of this site provides an opportunity for the State Government to work with community housing providers and private developers to deliver affordable and social housing as part of any new development on the site.

Sale of Jewell House:

- Owned by the Department of Health, located in the City of Perth
- Loss of 104 crisis and affordable beds
- Should meet objectives of the *State Affordable Housing Strategy* by including provision in the sale to include 15% social and affordable housing
- Opportunity for public-private partnership or partnership between community housing provider and a private developer

In addition to the Jewell House site, other State-owned properties earmarked for disposal, which could be utilised for affordable housing include:

- | | | |
|-------------------------------|---|---------------------------|
| • Shenton Park Hospital | • Princess Margaret Hospital | • Swan Districts Hospital |
| • Woodside Maternity Hospital | • Deaf School Cottesloe | • Wanneroo Lot 500 |
| • Fremantle Police Station | • Industrial Foundation for Accident Prevention | |

The total developable area of these sites is more than 39.67 hectares. These sites provide ideal opportunities for the State Government to increase the supply of social and affordable housing. Shelter WA proposes that at a minimum 15% of any new housing developed on those sites be allocated for a mix of social and affordable housing, with a greater emphasis on social housing.

The disposal of state assets in Western Australia is the primary responsibility of the Department of Lands, and is managed through the Property Asset Clearing House. Shelter WA believes there needs to be a better utilisation of land disposed through the Department of Lands for other social goals, such as social and affordable housing opportunities. Where practicable, the Department of Housing should be given the opportunity to develop the land for affordable and social housing. If development is undertaken by a different department or private organisation, it should still adhere to the 15% target stipulated in the *State Affordable Housing Strategy*, given that the land originated from the State. This would not require any new funding from State Government in the 2015/2016 budget; it would simply be fulfilling an existing commitment as stated in the *State Affordable Housing Strategy*.

The Metropolitan Redevelopment Authority (MRA) has been successful in repurposing under-utilised land. The MRA redevelopment in East Perth (operating formerly as the East Perth Redevelopment Authority) provides a good example of how social outcomes, including social and affordable housing targets, can be achieved through collaboration with other government authorities (i.e. Housing Authority), community housing providers and the private sector. Similar projects could be undertaken with the Housing Authority, private industry and community housing providers to achieve the 15% affordable housing target in the sale of government land and redevelopment sites.

Expand the social and affordable housing system

Recommendation 2: Commit to a social housing growth plan that includes clear capital targets for community and public housing, with timelines for implementation.

Between 2010 and 2014, the Housing Authority in Western Australia held 21,446 applications for public and community housing (Housing Authority, 2014). Data provided by the Housing Authority reports priority households were on waitlists for 44 weeks before being housed in 2013/14; non-priority 'wait turn' applicants spent a median of 158 weeks waiting for housing in 2013/14. These are the median waiting periods across the state, however in reality, depending on the region, applicants may wait up to three years for priority and up to nine years on the wait-turn list. These longer waiting periods apply to most of the metropolitan regions in Perth.

There is a significant demand for social housing, and new dwelling construction of social housing is substantially lower than is required to house eligible households in an adequate timeframe.

Approximately two thirds of public housing tenants are seniors and/or people on a disability pension, who have limited means to earn additional income. Social housing for these tenants provides a critical safety net to ensure security of tenure and ongoing affordability. This may be provided through public housing or community housing. For other public housing tenants and those on the waitlist who are able to transition into alternative accommodation, community housing and housing support options may be the most appropriate option depending on their particular circumstances.

Shelter WA supports the *State Affordable Housing Strategy* and its goal to achieve 20,000 affordable housing opportunities in WA by 2020. Thus far, the Strategy has been most effective in developing affordable home ownership opportunities. Affordable home ownership is important for eligible households, particularly those on a moderate income, but it may not be suitable for everyone. Shelter WA believes it is imperative an overarching plan for the growth of the social housing system is developed by the Housing Authority, in collaboration with other stakeholders, to provide clear targets for community and public housing to respond to the growing needs of various demographics.

Community housing and public housing both play an important role in providing a healthy social housing system that can deliver housing assistance to people with limited options. Shelter WA supports the growth of the community housing sector through stock transfers and government investment in the sector. Shelter WA urges the State Government to facilitate the growth of the community housing sector by developing a social housing growth plan in consultation with the sector. It is important to still retain a robust public housing system in recognition that a healthy housing system requires a diverse range of housing options.

In addition to providing positive outcomes for individuals and families, investing in social housing contributes to economic growth. A report by KPMG (2012) found that investing in social housing has a multiplier effect of 1.3 through increased employment and spending by the construction industry and their suppliers.

Recommendation 3: Provide \$170-200 million working capital to the Housing Authority to facilitate the re-development of 180 public housing properties and the construction of 540 new dwellings.

The development activities of the Housing Authority have been, and will continue to be, essential in increasing the supply of social and affordable housing in Western Australia. As stated previously, there are significant numbers of applicants still on the social housing wait list. Shelter WA understands there are a considerable number of public housing properties which have the potential for redevelopment. Redevelopment of these properties could contribute to a significant increase in the number of social and affordable dwellings in WA.

With access to \$170-200 million working capital funding, the Housing Authority would be in a position to undertake redevelopment of 180 existing properties across the state, to deliver an additional 540 social and affordable dwellings. To ensure social housing growth, 315 of these new dwellings should be retained as social housing (either public housing or transferred to the Community Housing sector), with the remaining 215 new builds sold as full market affordable sales. It would also be favourable for the majority of the new builds ear-marked for affordable sale to remain affordable long-term through the inclusion of caveats to restrict future sale prices.

The State Government, under this loan arrangement, would take minimal risk, as the working capital would be repaid on completion of the development projects. This recommendation works towards reducing the social housing waitlist, and encourages better utilisation of government-owned land and existing public housing, while also contributing to the goals of the *State Affordable Housing Strategy* and infill goals of *Directions 2031*.

Recommendation 4: Provide \$1.8 million per annum to expand the Rental Pathways Scheme for 200 people on the public housing waitlist.

The Rental Pathways Scheme, operated by the Housing Authority, currently assists over income tenants to transition out of public housing and into the private sector, whether it be into home ownership or the private rental market. The Scheme simultaneously works with private home owners, offering incentives to rent their properties to eligible public housing tenants, including rent guarantees for a specified period of time.

Shelter WA recommends expanding the Rental Pathways Scheme to support eligible applicants currently on the public housing wait-list to secure affordable private rental.

Expansion of the Scheme would require a relatively shallow subsidy of an average of \$7,200 per person, per annum, as opposed to the much deeper subsidy required to house someone in public housing. An expanded Rental Pathways Scheme could provide people with subsidised housing in the private rental market and offer extensive support services (i.e. tenancy support, links to employment/training, financial counselling) at a fraction of the cost of housing them in public housing. It could be structured as a fixed term program (3-5 years), and delivered by the non-government sector, to target support to those with the capacity to increase their income through employment over the period of the support. The expanded program could also target specific regional areas with high private rental vacancy rates.

Expanding the Rental Pathways Scheme to people on the waiting list would be a cost effective way to assist eligible applicants to access alternative forms of supported accommodation options to public housing, and for the WA Housing Authority to assist more people into secure housing.

Continued commitment to address homelessness

Recommendation 5: Commit to ongoing funding of \$15 million for homelessness services and \$5 million for homelessness capital development.

Shelter WA recently conducted a research and consultation project on homelessness which included a survey of 90 respondents, interviews, a forum on the Future of Homelessness in WA, and the establishment of an Advisory Committee on Homelessness.

The purpose was to understand gaps in the provision of services, identify future opportunities for services in WA, and analyse alternative funding sources. Almost 90% of survey respondents reported being unable to access services for themselves or their clients because those services were full. Approximately 50% suggested there were no programs providing an appropriate service for them or their client's needs. When asked about groups that are underserved by existing services, over 60% of respondents said people with mental illness need more services and 55% said more crisis services and accommodation options were needed for families with and without children.

The project found certain client groups, for instance young people and families, are particularly in need of crisis accommodation and support services. When asked about solutions, the overwhelming response (over 80%) said more long term investment in affordable housing is required.

The need for increased funding of homelessness services is also highlighted by the Australian Institute of Health and Welfare (AIHW) Specialist Homelessness Services report. The AIHW report assesses programs developed under the National Partnership Agreement on Homelessness. This report shows an average of 64 people were turned away by specialist homelessness services in Western Australia every day during 2012/2013 (AIHW, 2013). Of the people turned away, 53% had long-term housing needs that could not be met and 33% had medium-term/transitional housing needs that could not be met.

The funding that State and Federal governments invest in homelessness services is an effective use of public funds. Numerous studies have shown addressing homelessness reduces costs to government in other areas. Zaretsky & Flatau (2013) suggest the net savings to Government of providing specialist homelessness services (SHS), through reduced costs in health and justice services, is up to \$3685 per SHS client per year. This research confirms that clients participating in homelessness services present less often at emergency facilities, and are less likely to have ongoing engagement with the justice system.

Adequately addressing homelessness in WA will require an ongoing investment from the State Government. Funding is needed for both service provision and capital expenditure in future funding, particularly as there was no allocated funding for capital works in the 2014-15 extension of the National Partnership Agreement on Homelessness (NPAH) by either the State or Commonwealth Governments. Shelter WA recommends that in the event Commonwealth funding for affordable housing and homelessness projects are reduced or cut as part of the Federalism review, the WA State Government would do well to commit ongoing funding for homelessness services and capital works addressing homelessness.

The NPAH has allowed service providers in WA to deliver some excellent services to those most disadvantaged in our community. The NPAH has been an important catalyst for improving service delivery and providing clients with intensive case management, including linking clients and their children to mainstream services such as education, training, employment, mental health and drug and alcohol supports.

It is imperative these gains are not negated by funding cuts to homelessness services, and that adequate funding for homelessness services and capital are included in the 2015/2016 budget. At a minimum, \$20 million will be needed from the State to maintain some level of homelessness support, which includes at least \$5 million for capital works (to restore capital funding to pre- 2014 levels).

Recommendation 6: Consider releasing social benefit bonds to provide additional funding for homelessness services.

As a means to provide additional funding for homelessness services, Shelter WA proposes that the State Government implement a Social Benefit Bond initiative, similar to that which is being trialled in New South Wales. The Social Benefit Bonds (SBB) program implemented by the NSW government is a new form of capital funding which reduces reliance on government spending, while also working towards achieving social outcomes (KPMG, 2014). The SBB trial has already proven effective in channelling investment into social services in NSW.

With social benefit bonds, investors fund the delivery of services which are targeted at improving a particular social outcome, which, if achieved, results in a reduction in the need for government funding. The resulting savings in government expenditure are then used to repay principal bonds and additional reward payments. The additional reward payments are determined by the degree to which the outcome was achieved. In NSW these bonds have funded UnitingCare to work intensely with families whose children were in, or at risk of entering, out-of-home care, and the Benevolent Society to help families prevent children from entering out-of-home care.

The savings for Government are substantial as only part of the resultant public sector savings are used to repay investors' principal and make additional reward payments. The bonds are also attractive to investors because they are secure, backed by government, and deliver a reasonable return. For example, the rate of return in the NSW trial was 7.5% in the first year (NSW Treasury, 2014).

SBBs have numerous advantages over direct funding models. Public funds are only expended, in the form of principal repayments and reward payments, after the benefits have been achieved (NSW Treasury, 2014). Further, by accessing private capital, the bonds facilitate upfront expenditure over and above what is available from public funds at the time the expenditure is needed (NSW Treasury, 2014).

SBBs also provide increased societal benefits (NSW Treasury, 2014), including:

- Increased productivity and better outcomes by providing a direct financial incentive for a service provider to focus on and improve the outcome in question. This is due to decreased reporting requirements to government; the fact that service providers are allowed to purchase bonds in their own service, which drives productivity; and the potential of further access to capital given the success of current bond programs;

- The expansion of investment in early intervention through the use of upfront private funding; if successful this also reduces future demand for acute services and frees up government funds, part of which can then be used to repay investors;
- Increases the potential for innovation - as service providers are given more flexibility, they can explore different ways of achieving better results; and
- Limits the risk to government of funding programs which may not be successful.

SBBs have also been implemented in the United Kingdom and United States to raise funds for justice, workforce development, education and care of children (NSW Treasury, 2014; Office of Management and Budget, 2012). For example, New York City launched a social benefit bond to reduce youth recidivism for over 3,400 adolescents exiting incarceration (Charlton, Douglas, Flatau, & Gill, 2013). Social benefit bonds represent a new way to procure social services to achieve positive outcomes for the community.

Charlton et al (2013) examined the landscape for social change in WA and explored the potential for social benefit bonds, and social impact partnerships (SIPs) more broadly, in WA. They found ‘... SIPs represent a new approach that can be added to the suite of tools available to those interested in improving the lives of individuals and communities in need. For government, SIPs can drive achievement of policy objectives and program outcomes and improve effectiveness of public expenditure ...’ (Charlton, Douglas, Flatau, & Gill, 2013, p. 4). They found that social impact partnerships complement the reform agenda of the not-for-profit sector in WA and could be applied to programs targeting juvenile and adult offenders, out-of-home care, early childhood, alcohol and substance abuse and homelessness. Shelter WA recommends the WA State Government seriously considers issuing social benefit bonds to support innovative homelessness services across the state.

Encourage private investment in affordable housing

Recommendation 7: Develop alternative funding mechanisms to stimulate private investment in the affordable rental market. \$25 million for 2015-16 for Housing Supply Bonds to build 7,000 properties, with \$145 million forward estimates over two years.

Income and eligibility requirements have tightened for social housing, and many people find themselves ineligible for public housing but still unable to afford a private rental. There is significant demand for affordable housing at the lower end of the market and a shortage of appropriate rental properties, which has led to high numbers of low income renters in housing stress.

In May 2014, the Federal government announced it would not support future rounds of the National Rental Affordability Scheme (NRAS) and, in September 2014, the government announced new regulations affecting current rounds of the Scheme. Allocations made under the current round will continue to bring new rental dwellings to market in the near future, however as there is no ongoing funding for NRAS at the Federal level, WA will likely face a continued shortage of affordable rentals. In the absence of ongoing funding for NRAS to increase the supply of affordable rentals, the State Government will need to examine alternatives to stimulate growth of affordable housing in the private rental sector.

There are a number of ways the State Government can increase investment in affordable rental housing. Internationally, government backed 'housing supply bonds' have been effective in channelling institutional and retail investment in affordable and social housing, and Shelter WA believes these could also be effective in WA. Research undertaken by the Australian Housing and Urban Research Institute (AHURI) suggests the housing supply bond model has the potential to direct a significant amount of superannuation investment and retail investment into low-cost loans which could then be made available to not-for-profit community housing organisations for housing development.

The bonds are attractive to investors because they are promoted with a mixture of tax incentives and government guarantees (Lawson, Milligan, & Yates, 2012). An independent Parliamentary Budget Office costing suggested the housing bonds scheme could create 7,200 new homes per annum through an initial investment of only \$25 million for the first year and then \$145 million over forward estimates (Parliament Budget Office, 2013). While these estimates are based on implementation at the Federal level, housing supply bonds could also be issued as Western Australian State Bonds by the Western Australian Treasury Corporation.

There are numerous examples where state governments in the US have utilised bonds for social purposes such as affordable housing. In the US, both state and local governments sell tax-exempt 'Multifamily Housing Bonds' which are used to finance the development of apartments at rents affordable to low income families (Lawson, Milligan, & Yates, 2012). Shelter WA recommends that the WA government investigates alternative funding mechanisms for affordable housing options in the 2015/2016 budget, including housing supply bonds, to stimulate investment in the affordable and social housing sector.

Facilitate affordable home ownership

Recommendation 8: Retain Keystart to facilitate affordable home ownership for eligible households.

The Economic Regulation Authority's Microeconomic Reform report contained a recommendation for the State Government to divest itself of Keystart (Economic Regulation Authority, 2014). Shelter WA believes the State Government should retain Keystart, as the private sector is unable to deliver the same positive community and social outcomes to the target population as those delivered to date through Keystart. Keystart has assisted over 85,000 individuals and families access home ownership in Western Australia since 1989. Furthermore, Keystart is self-sufficient, not subsidised by government. In fact, it has generated \$314 million in earnings for the State over the last five years, which has been re-invested in social and affordable housing programs. Therefore, Keystart has been a mutually beneficial program for low to moderate income earners and the State Government and must be retained in the 2015/2016 budget.

The Shared Home Ownership Scheme currently operated by the Housing Authority has been effective in making housing more affordable to those on a low income, providing them with the opportunity to enter into home ownership. Shelter WA recommends expanding the Shared Home Ownership Scheme, in particular to address the gap in affordable home ownership in regional Western Australia, in order to assist more low and moderate income households into home ownership.

Recommendation 9: Target the First Home Owner Grant to those with the greatest need by including a means and assets test for eligibility.

The First Home Owner Grant (FHOG) was introduced in 2000 to offset the effect of GST on homeownership. First home owner grants are widely believed to have an inflationary effect on house prices and to do little to make housing truly affordable for first time homebuyers. When there is a significant uptake of the grant, the resulting demand is concentrated at the lower end of the market, actually pushing up house prices for first home buyers.

Since its inception, the FHOG has primarily been used by those purchasing existing dwellings (approximately 75% of grants paid) and has not contributed to an increase in the supply of affordable housing, particularly given that the house price limit is well above what would be deemed affordable, at \$750,000.

In September 2013, the WA State Government followed several other state governments in altering the grant to channel its use into new construction. First homebuyers can still receive the FHOG for existing dwellings (\$3,000), however they receive more for new builds (\$10,000). This has helped stimulate growth of new construction, with the most recent quarterly data suggesting new dwellings made up 45% of grants paid.

Shelter WA would suggest that the FHOG could work to stimulate the construction of more affordable housing, if it is restricted to new construction under \$430,000. In addition, Shelter WA would recommend the FHOG be means and assets tested to target assistance to low and moderate income first homebuyers, and therefore those with the greatest need for assistance. Targeting FHOG in such a way will result in cost savings to State Government, with the savings then able to be allocated to programs which increase the supply of affordable housing.

Recommendation 10: Abolish stamp duty and replace it with a broad based land tax.

Shelter WA strongly supports the recommendations made in the Henry Review (Australian Government Treasury, 2010) to abolish stamp duty and introduce a broad-based land tax over a transitional period. Stamp duties are widely considered inefficient taxes which prevent people from moving through the housing system, including downsizing as they age. Abolishing stamp duty while implementing a broad-based land tax would remove a significant cost to home buyers, help control house price inflation, and importantly return equivalent revenue for the State Government over time, with minimal implementation costs. Notably, this recommendation has the potential to increase housing affordability for first time homebuyers, low and moderate income households and anyone wishing to move or downsize (Australians for Affordable Housing, 2012).

Recommendation 11: Provide \$20 million to provide two visitor accommodation centres, including operating costs, in the Perth metropolitan area for Aboriginal people.

There is an urgent need for short-term accommodation for Aboriginal visitors, particularly in the Perth metropolitan area, but also in regional centres around the state. Aboriginal peoples travel from their traditional lands for many reasons, to the metropolitan area or other regional centres, and this often results in significant numbers of Aboriginal peoples from Country sleeping rough or staying in overcrowded dwellings.

Aboriginal hostels are in these instances unable to cater to these visitors, because of the size of family groups or for other reasons, including their distance from health and other facilities. For those who travel for medical treatment or to accompany family, the Patient Assistance Transfer Scheme is not responsive to the needs of these family groups for appropriate accommodation, nor to the realities that many patients have addictions (which have led to their medical conditions) which cannot be resolved instantly by virtue of the allocation of accommodation in specific locations.

Low-barrier visitor accommodation centres could provide safe accommodation for Aboriginal visitors and their families while they remain in Perth. This would also reduce the impact of large family groups sleeping in parks on neighbourhoods and city centres, and the issues relating to homelessness in public open space.

There are currently short-stay visitor facilities in Kalgoorlie and Derby, both managed by the not-for-profit sector, and funded through NPARIH. With the cuts to future NPARIH funding from the Commonwealth Government, Shelter WA would urge the State Government to provide funds for similar facilities in the metropolitan region. The Kalgoorlie site has been in operation since 2012 and is a successful example of this type of facility.

Shelter WA recommends that the Department of Treasury provides an initial amount of \$15.9 million to build two low barrier visitor centres in two distinct metropolitan locations, to meet the needs of different regional groups. In addition, a further \$3.6 million per annum would be required for operating costs of both centres.

Conclusion

Shelter WA acknowledges that the WA Government is under increasing pressure to deliver essential services while restricting its expenditure. Shelter WA's recommendations in this submission are focused on utilising public resources efficiently and effectively to meet current community needs and to invest in the future of Western Australia. Through better management of current assets, combined with programs that channel investment into social and affordable housing and homelessness services, the state budget for 2015/16 can alleviate some of the current high demand for public housing, homelessness services and affordable accommodation, while achieving cost savings in other areas in the future.

Achieving positive housing and homelessness outcomes can be accomplished by committing to the following in the 2015/2016 budget:

- Require a minimum of 15% delivery of affordable housing in any development from the disposal of state landed property assets – as stated in the objectives of the *State Affordable Housing Strategy 2010-2020*;
- Commit to a social housing growth plan that includes clear capital targets for community and public housing, with timelines for implementation;
- Provide working capital to the Housing Authority to facilitate the re-development of public housing properties and provide additional social and affordable housing stock;
- Encourage and facilitate private investment in affordable rental housing;
- Abolish stamp duty and replace it with a broad based land tax;
- Release social benefit bonds to support innovative homelessness services across the state; and
- Provide adequate funding for services for people experiencing homelessness and those at risk of homelessness.

Increasing the supply of affordable housing, preventing and addressing homelessness and assisting those who are homeless to be re-housed quickly is a cost effective use of public funds. Ensuring low and moderate income families have access to safe, affordable accommodation leads to better social outcomes in terms of employment, education, health and well-being now and into the future.

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